

Citi OpenInvestor<sup>SM</sup>

# Private Equity Solutions





# Turning change into opportunity

**In the private equity space, the key to mastering change lies in taking a multi-disciplinary, targeted approach with a service provider whose approach can cover every step in the value chain.**

The private equity industry is undergoing meaningful changes, led primarily by two avenues.

On one side, new regulation – most notably the EU’s Alternative Investment Fund Managers Directive (AIFMD) – is prompting a fundamental rethink of how and where firms base their operations, domicile their funds and target their investors. It also places new demands on operational processes and imposes much expanded disclosure and reporting requirements.

On the other side, a shift in investor requirements in the wake of the financial crisis is reshaping the way General Partners interact with their Limited Partners. The result is often a more service-oriented approach in which visibility and transparency play a greater enhanced role. Fund structures are requiring more flexibility to accommodate investor demands in a challenging fundraising environment.

For General Partners, there are some big decisions to make at operational and strategic levels. The AIFMD introduces new costs in areas such as registration, valuations, custody and reporting. It has major resource implications. Accounting policy changes and increasingly complex fund structures add to the challenges.

At the strategic level, firms are asking themselves whether their business models are still appropriate. Old certainties are being reviewed. Will Europe still be an attractive market for raising and managing new funds? Should non-EU investors share the costs

of AIFMD compliance? Are there deeper pockets of capital to exploit elsewhere in the world and, if so, how can they be accessed?

Successful firms will be able to negotiate these challenges and turn them to their advantage.

Partnering with a service provider who will not only help shoulder the new operational burden but also deliver the professionalism and best practice that Limited Partners now look for will lead to added value at a strategic level.

That may mean more frequent reporting, increased and enhanced visibility for fund investors, efficiency and a solution oriented approach to meet market and investor demands.

## **Taking an integrated approach**

At Citi, we bring an integrated approach to how we provide private equity solutions. It sets us apart from other providers. We are one of the oldest and largest providers of private equity administration and we understand every step in the fund lifecycle. But in crafting our solutions, we also mobilize the skills of our private and investment bank, helping clients like you, fund, transact and drive business forward. Allied to the strengths of our global network, that makes for a powerful combination.

# Driving performance

**From fund accounting to custody and from depot bank services to deal introduction and execution, Citi not only helps drive performance for its private equity clients but deploys its banking skills and global network to make things happen at every stage of the fund lifecycle.**

We draw on the broadest possible range of skills and capabilities across our business to coordinate the delivery of a suite of services that are capable of meeting whatever requirements our private equity clients may have.

We do not think purely in terms of products. Neither do we operate alone. Instead we combine the strengths of our Citi Transaction Services, Investment Banking and Private Banking businesses to deliver solutions that can address the very particular needs of the private equity industry, now, and in the future.

Our clients determine the shape and nature of the services they require. Our offering therefore encompasses every part of the private equity value chain, namely:

- Services for funds.
- Transaction-related services.
- Services for portfolio companies.

In every case, clients know they can draw on our global network and the access it provides to cross-border investors, counterparties or target companies.

## **Fund services**

### **Fund accounting and administration**

As the industry's most experienced provider, with more than USD150 billion of committed capital under administration, we offer a highly customized, shared-service solution, including the following:

1. Financial reporting.
2. Waterfall calculation.
3. Capital call and distribution management.
4. Anti-money laundering services.
5. Investor relations services.
6. Corporate secretarial services.
7. Limited partner servicing and advanced analytics.

# Many touch points to the Private Equity value chain

## Private equity services

### Citi Private Bank solutions

- PE feeder fund product.
- PE capital call program.
- Secondary LP commitments deal flow.

### Global Investment Bank solutions

- Providing potential investment ideas/showing deals.

### CTS solutions

- Fund accounting and administration.
- Financial reporting.
- Capital call management and distribution services.
- Operating accounts for the funds into which LP money flows.
- Limited Partner services.
- Corporate secretarial services.
- General Partner services.
- Co-investment services.

## Depository bank agency & trust services

### Citi Private Bank solutions

- Private bank clients as potential investors.
- Banking services to the General Partner and senior partners.

### Global Investment Bank solutions

- M&A deal execution.
- Valuation.
- Due diligence.
- Leverage.

### CTS solutions

- Depository bank for funds.
- Custodian for underlying deal documents.
- Escrow agent for transactions being executed by the funds.
- Tender/exchange agent.
- Closing agent.
- Trustee/security agent.

## Trade and transaction services

### Citi Private Bank solutions

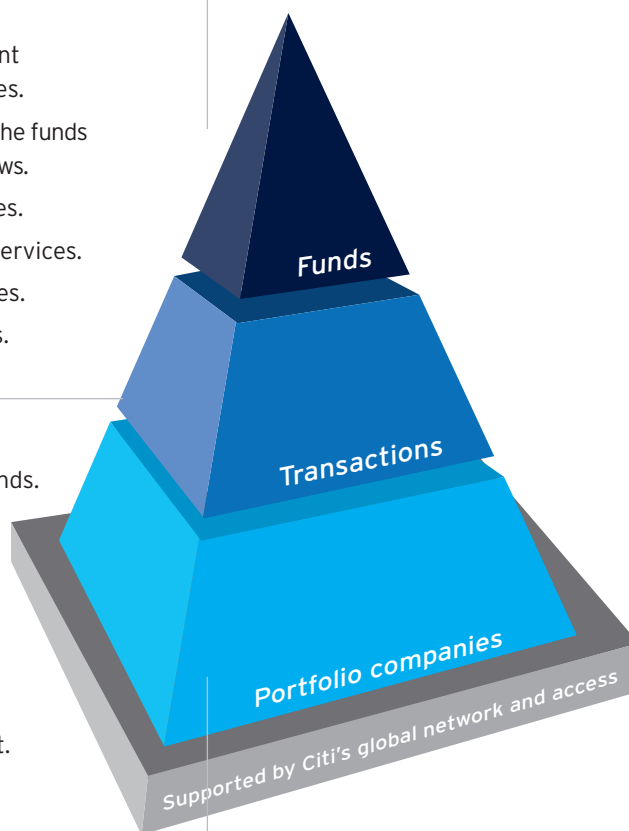
- Banking services for successful exit principals.

### Global Investment Bank solutions

- Managing sell side exit deals.
- Information memorandum writing.
- Identifying and negotiating with buyers.

### CTS solutions

- Operating accounts for portfolio companies.
- Liquidity and sweep solutions for better visibility/transaction and decisioning capability.
- Working capital management.



### **Our experience**

Our skills, experience and technology ensure:

- A tailored approach that recognizes client uniqueness and brings an experience of servicing all types of fund-related entities.
- A scalable, highly cost-efficient and best-practice service.

By handing your administration burdens to a proven provider, General Partners are able to concentrate on their core competencies and avoid the expense of building and maintaining costly infrastructures. Limited Partners get the comfort of knowing accounting and administration is managed independently and professionally by a top-rated service provider.

### **Feeder funds**

With our broad-based access to investors, we selectively establish feeder funds to channel investments by Citi Private Bank's clients into private equity funds. We also administer feeder funds on behalf of other private banks.

### **Private equity capital call lending program**

Our Private Equity Capital Call Program (PECC) is offered through Citi Private Bank and selectively lends to private equity-style funds against underlying Limited Partner commitments. This program is designed to provide General Partners with a bridge facility to support the efficient deployment of capital for new investments, operations and expenses through direct borrowing and letters of credit. Important determinants for new commitments of this facility include the:

- Profile, history and scale of the fund.
- Profile, credit rating and diversification of the underlying LPs.
- Profile and wealth of the sponsors in a private banking context.
- Overall wider relationship potential with Citi.

### **Limited Partner services**

Our Limited Partner solution offers comprehensive portfolio administration, tracking, reporting, and analytics services to private equity investors. As an independent provider, we coordinate across fund manager relationships, advisor relationships, and other third party providers to act as a centralized point of control and reporting. Citi's services range from capital calls, distributions processing to position tracking and portfolio reporting. Our subject matter experts track the portfolio transactions, maintain valuation information and provide dynamic and sophisticated decision support tools to support the portfolio management and risk management processes.

### **Investment ideas/introducing transactions**

With our presence in more than 100 countries, immense sectoral expertise and the connections of Citi's Global Investment Bank, we are ideally placed to bring investment ideas and deals to our private equity clients and assist in the due diligence process.

### **Fiduciary services**

With evolving regulation, fiduciary oversight has become ever more important, and will indeed become a requirement after 2013. Our Fiduciary Services team has a long history of providing oversight in the marketplace, ensuring the safekeeping of assets, managing potential conflicts of interest and monitoring fund investment guidelines.

We also provide:

- Technical and compliance support.
- Oversight of fund service providers.
- Product development support.
- Board and regulatory reporting.

### **Custody**

The appointment of a depository will be mandatory when the AIFMD takes effect. With our industry-leading proprietary custody network and wealth of local expertise, we are the ideal custody partner to provide assured safekeeping of title deeds and other deal documentation. Our clients enjoy worldwide single-window access to their account information and customized reporting.

### **Corporate secretarial services**

Our dedicated Corporate Secretarial Department supports our fund administration team. Their services range from statutory and regulatory reporting, convening Board of Directors and shareholder meetings, board pack preparation, minute taking, and the coordination of communications between the Board of Directors and to other stakeholders as required.

### **Transactions**

#### **Agency and trust services**

Acting as an impartial third-party agent, we provide customized solutions for the receipt and safekeeping of cash and securities connected with M&A activity. We routinely establish escrow accounts for various categories of hold-back, such as contingent tax liabilities, performance pay or golden handcuffs. We also provide one-stop tender and exchange services for transactions, and have supported many of the largest cross-border transactions.

#### **M&A advisory and deal execution**

Citi is a leading adviser to private equity firms worldwide. We provide M&A advisory services to most of the leading names in the industry, and our involvement extends to:

- Valuations and due diligence.
- Acquisition finance.
- Restructurings and recapitalizations.
- IPOs.
- Bank debt and high-yield issuance.
- Providing leverage to facilitate transactions.

#### **Services to General Partners and senior partners**

Citi Private Bank is an important source of investment services and liquidity for the principals of private equity firms.

### **Portfolio Companies**

#### **Working capital management**

We provide operating accounts for corporates and support them with a variety of working capital and cash management tools. A recognized leader in the area of liquidity management, we can deploy a number of solutions to concentrate cash and minimize overdrafts, unlock value and improve visibility and decision-making.

#### **Managing exit deals**

Our global presence, breadth of corporate relationships and prominent role in the private equity marketplace make us the ideal partner to assist with disposals.

Our M&A advisory teams have great experience of managing sell-side exit deals, drafting the memorandum of information, identifying potential purchasers and negotiating the transaction.

#### **Banking services for exit principals**

Citi Private Bank is experienced at helping successful exit principals manage and protect their wealth.

### **Private Equity Coverage Team**

To facilitate the delivery of integrated, end-to-end solutions that draw on all relevant parts of the bank, our dedicated Private Equity Coverage Team meets regularly to discuss client needs as they evolve. Its role is to:

- Ensure clients enjoy a single point of contact, with Client Executives acting as the conduit for a full suite of Citi services.
- Take a forward-looking approach that enables us to anticipate clients' future requirements and present ideas in a proactive manner.

We believe this adds real value to the solutions we propose – whether we are dealing with day-to-day operational issues or matters of strategic importance.

**We believe our suite of services for private equity firms and their funds is unmatched in the market:**

## **Service excellence**

We work to deliver service excellence and pride ourselves on a smooth, speedy, highly structured and globally consistent onboarding process for clients.

We also like to make it easy for clients to do business with us. Every client is assigned a Client Executive, who acts as a central point of contact.

We seek feedback and we act on it. Regular service reviews, conducted at least twice a year, enable clients to recommend process enhancements or highlight a shift in their requirements.

## **Private bank services**

Citi Private Bank operates across a network of 60 offices in more than 20 countries, and is a leading provider of investment, lending and advisory services to many of the world's most successful families and investors, which include one-third of the *Forbes* list of billionaires. In particular, we are an important source of liquidity for the principals of venture capital, private equity and hedge fund firms and their funds.

Our private banking services are built upon tailored lending, access to some of the world's leading equity, fixed income and alternative investment managers, and a holistic approach to family wealth

management. We offer industry-leading innovations and proprietary technologies enabling us to provide truly integrated strategies that address our clients' varied needs.

Our service excellence and best-in-class capabilities have been recognized in a host of awards from industry publications.

## **Investment bank services**

Citi has a long-standing commitment to the private equity space. Our Financial Sponsors Investment Banking Group is a leading player in the private equity market, having advised on a number of highly prestigious and complex deals.

## **Fund accounting and administration**

One of the most experienced providers in the industry, we have been offering private equity administration services for more than 18 years. With over USD150 billion of committed capital under management, we are also the leading provider by market share. We act for more than 110 sponsors, with 750 funds and related entities.

With a demanding client list, we have built an industrial-strength platform that is highly scalable and still maintains a boutique service experience. We have been SAS 70 Type II-compliant for more than six years.



Our team, which consists of around 300 professionals globally and includes a dedicated, independent quality control function, brings together a rich diversity of backgrounds and commitment to service quality.

### **Global custody**

We operate the largest proprietary custody network in the world – over 60 countries. Combined with a unified technology platform, this allows us to deliver the highest rates of straight-through processing and consistent service standards around the globe. Our network is supported by more than a dozen regional centres of excellence, where everything from trade processing to pricing can be tracked globally.

### **Issuer services**

Our Agency and Trust business has an unparalleled track record in providing agency and fiduciary services to more than 2,800 clients. We have the worldwide infrastructure and local capabilities to deliver whatever is needed, including:

- Escrow agent services, which provide customized solutions for corporate finance transactions that minimize counterparty and operational risk.

- Drawing on Citi's branch network, and supported by our global cash and custody platforms in more than 60 countries. We can mitigate risks posed by handling transactions across multiple jurisdictions and minimize the need for interbank transfers.

- Project-managed solutions for cash movements during complex closings, all are housed on Citi's books.

- Provision of leading tender, exchange and solicitation services, and the structuring and execution of complex debt management transactions.

- Documentation and due diligence assistance. We liaise with clearing systems and establish communication lines for investors.

### **Depot bank**

Strong fiduciary oversight is now a key element of the European regulatory framework. We operate fiduciary services operations, with trustee companies in Ireland, Jersey, Luxembourg and the UK. We look to add genuine value, by providing:

- A dedicated fiduciary relationship manager to deal with issues as they arise and attend board meetings.

- On-site inspections of all service providers.
- Regular thought leadership and other updates.
- A full compliance monitoring-service, which includes an automated solution.

### **Cash management and foreign exchange**

We offer a full range of cash management and FX services, and have led in the development of multi-currency cash-pooling techniques. We support these with a variety of analytics and investing options.

### **Robust technology infrastructure**

Citi is committed to sustained technology investment. We have developed an advanced technology infrastructure that is flexible, robust and highly scalable. It is supported by a range of electronic delivery and communications channels.

Our investment in our securities and fund services business exceeds USD400 million yearly.

# Let's work together

**We bring a consultative approach to all we do, working with clients to develop innovative structures and solutions that increase their flexibility, cut their costs and support their international development. We want to do the same for you.**

As a fund management business, you have a complex mix of requirements. As you expand to target new markets and launch new products, those requirements will evolve. This is why we believe you need a service provider who can meet your needs today and anticipate those of tomorrow. We are committed to the fund servicing business and continue to play a market-leading role, providing operational alpha via our technical know-how, an international presence through our unique proprietary network and the local expertise needed to deliver flexible, best-of-breed fund servicing solutions.

**We believe this is a powerful offering and welcome the opportunity to discuss it with you.**

## **Securities and Fund Services**

Asset managers rely on us for authoritative market intelligence, state-of-the-art processing capabilities and responsive client services. With over USD1.4 trillion in assets under administration, and USD12 trillion in assets under custody, our fund services business provides fund administration, trustee services, shareholder services, and compliance and regulatory support in a single coordinated package. Our global reach and consistent platforms ensure accurate, efficient and consistent service delivery.

## **Cash Management**

As a leading provider of cash management solutions and one of the largest processors of cash flows globally, we help our clients achieve efficiencies across their entire operations, helping to reduce banking fees, lower costs of capital, improve internal processes and trim operating costs.

## **Foreign Exchange**

Citi deals spot and forwards in over 100 major and emerging-market currencies and has extensive currency option-trading capabilities. With unrivaled liquidity, Citi has the unique capability to be able to price and assess the risk of transactions on any scale and of any complexity.

## **Private Bank**

With more than 1,000 private bankers and specialists in more than 20 countries, Citi Private Bank is one of the world's leading private banks with a long history of expertise and intellectual leadership. This means clients continue to rely on the bank for access to capital, sophisticated investment strategies, an open product architecture approach and an integrated, holistic approach to family wealth management.

Citi OpenInvestor<sup>SM</sup> is the investment services solution for today's diversified investor, combining specialized expertise, comprehensive capabilities and the power of Citi's global network to help our clients meet their performance objectives across asset classes, strategies and geographies. Citi provides complete investment services for institutional, alternative and wealth managers, delivering middle office, fund services, custody, and investing and financing solutions that are focused on our clients' specific challenges and customized to their individual needs. As part of this solution we offer:

- Private Equity Services – We have over 18 years experience, drawing on a unique combination of technology and market leading regional teams, who can deliver a boutique level of service supported by industrial strength processes and infrastructure. The business currently administers over 750 funds and has \$150 Billion+ of Committed Capital Under Administration.
- Agency and Trust – This team works with the private equity industry and delivers a full range of agency, escrow and trust related services in both established and emerging markets. The team manage in excess of USD 4 trillion in fixed income and equity investments on behalf of over 2,800 corporations worldwide.

Citi Private Bank, is one of the leading providers of investing, banking, lending and wealth advice to the world's most successful individuals and families. We also have a specially dedicated team that provides banking services, capital markets advice and execution, and finance to Private Equity principals and their funds.

## **Citi Contacts**

### **North America**

Mark Suter  
388 Greenwich Street  
New York, NY 10013  
212-816-8531  
mark.suter@citi.com

Andrew Hoemann  
425 Fifth Avenue  
New York, NY 10016  
917-472-5975  
andrew.hoemann@citi.com

### **Latin America**

Marcia Rothschild  
388 Greenwich Street  
New York, NY 10013  
212-816-6478  
marcia.rothschild@citi.com

### **Europe**

Kamran Anwar  
25 Canada Square  
London, UK  
+44 207 986 2986  
kamran.anwar@citi.com

### **Asia**

Robert Humann  
18 Westlands Road, Quarry Bay  
Hong Kong, HKG  
+852 3419 8803  
robert.humann@citi.com

We invite you to contact us for more information on how Citi can meet your specific needs.

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