

# The Bottom-Line Benefits of a Third-Party Service Provider

In today's difficult economic conditions, Fund of Hedge Fund (FoHF) managers are facing heightened scrutiny from investors wanting the comfort of an independent third-party service provider and the benefits of independent pricing of assets, improved transparency, more rigorous risk-management controls and significantly more complex operational structures. This immediately translates into a need for more middle- and back-office functional support, which imposes ever additional strain on managers' already stretched professional and technological resources.

In this environment, FoHF managers should consider the bottom-line benefits provided by an independent service provider, particularly where that provider can relieve middle- and back-office operational resource constraints. Third-party specialists such as custodians are able to partner with a FoHF to provide the supplementary services being demanded by the investors. By transferring custodial responsibilities to an independent provider, holding your assets off their balance sheet in a nominee name, you are able to concentrate on what you do best: managing your client's investment.

Citi has a wealth of experience and depth of understanding to provide the kind of big-name reputation in the custody field that is increasingly important in today's environment. Our highly experienced and knowledgeable team has developed a comprehensive custody unit designed specifically to serve the FoHF market segment. You can now leverage Citi's industry-leading people and processing tools to substantially improve upon your own proprietary custody capabilities.

Citi is committed to delivering best-in-class FoHF-specific custody solutions and has built a complete FoHF custody offering spanning the extended transaction lifecycle to include nominee registration, subscription and redemption execution, safekeeping, cash management, reporting and reconciliation back to you, the FoHF manager.

#### **Citi's specific highlights include:**

- Registration of underlying assets in nominee name
- Automated manager instructions on subscriptions and redemptions into underlying hedge funds through a proprietary transaction-management and lifecycle-messaging facility
- Full lifecycle position maintenance and care, including asset servicing, holdback tracking, cash management, reconciliation and reporting
- Robust reporting tools for managers and investors available via our proprietary Internet portal – CitiDirect® for Securities

- Operational integration with Citi Hedge Fund Administration services
- Support of tri-party agreements with external finance providers and automation of approvals where required
- Greater operational efficiencies; outsourcing amplifies transparency, increases control, enhances reporting and reduces costs
- U.S. dollar assets in qualifying transaction accounts are protected by FDIC insurance

At Citi, we are dedicated to supporting our clients' current and continued success – a responsibility particularly important in these difficult times as we await the return of investor confidence and the hedge fund industry's recovery to its rightful stature in global capital markets.

Please feel free to contact us to learn more about our products and services and how they can benefit you and your investors. Bob Donahoe at [robert.donahoe@citi.com](mailto:robert.donahoe@citi.com).

**Global Transaction Services**  
[www.transactionservices.citi.com](http://www.transactionservices.citi.com)

© 2009 Citibank, N.A. All rights reserved. Citi and Arc Design is a trademark and service mark of Citigroup Inc., used and registered throughout the world.

482930 GTS2 4/09

