Distribution Support and Platform Services Discussion
Drivers for Citi’s Distribution Services

A combination of factors is driving our determination to be a leader in global distribution services

- Our clients’ plans for growth through global distribution via UCITS platforms
  - The need for a service provider who can consolidate local market requirements into a single, consistent service

- Our clients’ desire to reduce expense
  - A single provider offering a wide range of back and middle office services with a commitment to the structured evolution of outsourcing solutions

- Citi’s ability to leverage our unique global network and local market presence
  - Our ability to access local market knowledge and contacts, coupled with the presence of in country and regional operating centers, can be coordinated for the benefit of our global clients
Emerging Markets: An Opportunity for UCITS

Emerging Markets represent a significant opportunity for UCITS sales: Citi is naturally well positioned to support our clients via our long established presence in these markets.

**Forces Driving Growth in Emerging Markets**
- Elevated economic growth and wealth creation rates
- Younger populations, a leading indicator of pension system inflows
- Penetration of asset management products in emerging markets will rise in step with the creation of new investable assets

"The emerging markets are something of a "promised land" for asset managers…who need to find new methods of distribution in these markets."

*Philippe Morel, co-author of ‘In Search of Stable Growth: Global Asset Management 2010’*
Citi’s Approach to Supporting Fund Distribution

Citi provides services to support Fund Managers select and manage their distribution markets, and a leading distribution platform to enable flow growth from those markets.

Distribution Support Services Value Chain

1. Distribution Support Services
   - Consolidated service set supporting the distribution value chain
   - Leverage Citi proprietary network presence in key markets
   - “Build and buy” approach to leverage best-in-class services

2. CIS Distribution Platform
   - 250,000 trades, 1,194 Funds connected, $80bn transactions
   - Fund manager control over distributor selection
   - Scalable offering with multiple connectivity options

Distribution Platform Value Chain

- Access to Distributors
- Fund Platform Connectivity
- Commissions Management
- Scalable Operating Model
- Fund Manager Control
Citi has evolved our regional operating models to provide coordinators for Distribution Support in each region who are close to the strategic evolution of distribution markets.

**Distribution Support in Americas** covers:
- Bermuda
- Brazil
- British Virgin Islands
- Canada
- Cayman Islands
- Chile
- Columbia
- Mexico
- Panama
- Peru
- United States of America

**Coordinator:**
Bruce Bauman (NAM)
Laercio Ramos (LATAM)

- Citi can provide a truly global solution, but still act locally via our service hubs
- Servicing clients in all major markets and time zones
- Sophisticated interfacing capabilities to provide an STP environment.
- Citi is able to leverage local market expertise from global Citi network

**Distribution Support in Europe** covers:
- Andorra
- Austria
- Belgium
- Czech Republic
- Denmark
- Finland
- France
- Germany
- Greece
- Guernsey
- Iceland
- Ireland
- Isle Of Man
- Italy
- Jersey
- Luxembourg
- Malta
- Monaco
- Netherlands
- Norway
- Poland
- Portugal
- Spain
- Sweden
- Switzerland
- Turkey
- United Kingdom

**Coordinator:**
Steve Bernat

**Distribution Support in Middle East** covers:
- Bahrain
- Kuwait
- Pakistan
- South Africa
- United Arab Emirates
- Saudi Arabia

**Coordinator:**
Richard Street

**Distribution Support in Asia Pacific** covers:
- Australia
- Hong Kong
- India
- Indonesia
- Japan
- Macau
- Malaysia
- New Zealand
- Philippines
- Singapore
- South Korea
- Taiwan

**Coordinator:**
Siuchan Kwan (Asia based)
George Hindmarsh (UK based)

**European Distributors**

**American Distributors**

**Asian Distributors**

**Shared Process**

**Distribution**
CIS Distribution Platform Services

A single, integrated solution for investing in collective investment instruments

- Provides a single channel for custody for clients investing in a wide range of collective investment instruments in multiple markets
- Comprises order routing, safe-keeping, registration, asset servicing, reporting and reconciliation

Connectivity
- FundSettle
- Vestima +
- Citi
- Bravura

250,000 trades 2011
- $80Bn Transactions
- 1,194 TA’s connected

Single Platform
- Hedge Funds
- Unit Trusts
- ETF’s
- Equities
- Money Market Funds
Platforms: The Future of Fund Distribution?

Do Asset Managers expect platforms to increase in importance? Do they add value for all participants including investors?

- The term ‘platform’ incorporates wraps and fund supermarkets, as well as execution only, B2C and B2B providers.

- Platforms will usually have custody arrangements for clients’ assets, which has led to custodians moving into this space from a B2B perspective, bringing lower costs through their scale.

- Custodian platforms include:
  - Automated Order Receipt, Routing & Settlement
  - Distribution agreements ownership & negotiation
  - Trailer Fee calculation / Payments
  - Nominee Service (Sub-TA & order aggregation)

- For IFA, insurance, fund manager and independently owned platforms these typically include internet based services used to administer investments, including:
  - Fund Research / screening
  - Front-end tools for advisors / agents to advise, build, view, transact for and service and analyze their clients data.
  - Rebalancing & Asset Allocation
  - Integrated with other investments (Wrap / SMA / UMA)
  - B2C online presence (branded / whitelabelled)

Benefits to Asset Managers

- Operational cost savings (managing distribution agreements & calculating rebates)
- Reduced administrator costs (through reduced number of investors and transactions)
- Reduced cost of distribution (marketing and training)

Benefits to Distributors

- Access to research
- Increased rebates through platforms’ scale
- Increased choice
- Operational cost savings through automation
Platform Operating Model

The global distribution model varies significantly in light of investor sentiment and the maturity of the local fund industry. There are a number of themes regulators are looking at to protect investors due to the increasing usage of platforms and their impact to the industry.

- Difficult for smaller managers to get onto the larger retail banks range of products
- Investor access to research creating pressure on underperforming funds (performance more easily compared)
- Reduced transparency with end investor

- Growth in more mature markets leading to an increased competitive environment and need to differentiate
- Increasing regulatory focus on current pricing model (UK, EU, Aus)
- Increasing need to offer value added services such as risk profiling, etc.

- Continued domination by retail banks in emerging markets
- Reducing the numbers of products
- Increasing regulation on the sales process
- Need for immediate access to investment data for investors

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Topics for discussion

- Do platforms bring additional value or an unnecessary extra layer to the distribution value chain from an asset manager’s perspective?

- Do platforms help fund managers sell more products?

- Will platforms be an important source of distribution for asset managers in the future?

- Which markets will be a key driver for platform growth?
  - Developed markets?
  - Emerging markets?

- Which types of distributors gain most by use of platforms?
  - IFAs
  - Banks
  - Insurance Companies

- What is the optimal platform pricing model from an asset managers perspective?
  - Centralized agreements negotiated with agreed rebates for all distributors
  - Individual agreements with rebates established by distributor
  - Transaction based

- What value-added platform or distribution support services can Citi offer to help asset managers in the future?
  - Front end tools, research, reporting, Sub-TA, analytics, distribution administration