



# VALIDUS

NAVIGATING MARKET RISK

- › FX and Rates Hedging
- › Fund Finance Advisory
- › Technology Solutions





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# Who We Are

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Validus Risk Management is a leading independent financial services firm, specialising in market risk management, fund finance and customised technology solutions. With industry-leading analytical tools, strategic expertise and market insight, we deliver practical and valuable solutions to institutional investors, fund managers and portfolio companies globally.

Validus acts as an extension to our client's own resources, across three core offerings:

## MARKET RISK MANAGEMENT

Designing effective and efficient solutions to manage risks arising from exposures such as currencies, interest rates and commodities.

We also provide implementation, best execution, ongoing management, monitoring and reporting of hedging programmes.

## FUND FINANCE ADVISORY

Acting as an extension to your team, we provide specialist advice, support and assistance when you want to establish, re-finance or re-negotiate fund finance facilities

Our unique position in the industry provides insight into the latest market developments, pricing, terms and structures

## TECHNOLOGY SOLUTIONS

Validus RiskView, our proprietary technology platform is a flexible tool for analysing, monitoring and reporting market risks and associated hedges specific to each client

Our industry knowledge and development capabilities also enable us to custom-build technology requirements.

# What We Do

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# Why Validus

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Our mission is to bring transparency, robustness and innovation to risk management using a combination of specialist expertise, trading experience, and pioneering technology.

We differentiate ourselves in three main ways:



## Our Approach

Our approach is defined by combining theoretical innovation with market insight and practical rigor. We do not just analyze risk and propose abstract solutions – we work with our clients to actually implement the strategies we design.



## Our Network

We have over one hundred clients around the world, including fund managers, institutional investors and corporations. We work with over 50 banks and collaborate with leading law firms, top-tier universities and even governments. This network gives us a unique insight into the world of risk from all angles, and ensures our work is innovative and reflects latest market developments and trends.



## Our Technology

Our proprietary technology platform has been designed to allow the evaluation and presentation of risk and hedging solutions in an intuitive way. Hedging is a strategic decision, and our technology ensures this decision is based upon a solid understanding of the costs and the benefits as well as solid ongoing monitoring and reporting of key performance indicators.

# Notable Projects

*February 2020*

## Global Private Equity Manager

Ongoing management of client's c. €5B hedging portfolio including strategy calibration for new foreign currency deals

FX Advisory

*February 2020*

## European Real Estate Credit Manager

Sourced and optimised £160m Subline & £8m GP Co-Invest Facility

Fund Finance Advisory

*February 2020*

## European Real Estate Private Equity Manager

Optimised strategy to mitigate hedging costs for PLN investment from USD and EUR sleeves

FX Advisory

*March 2020*

## Global Infrastructure Manager

Advised on IR risk for TAIBOR asset level leverage. Optimising hedging language, costs, and swap structure

Interest Rate Advisory

*April 2020*

## Global Multi-Strategy Private Markets Manager

Designed hedging strategy for new c. £10bn credit fund. Manage hedging programme for 29 other funds under the Sponsor

FX Advisory

*June 2020*

## Global Multi-Strategy Investment Manager

Designed hedging strategy for publicly-listed investment, warehouse investment into a PE fund and two investments into PE funds

FX Advisory

*August 2020*

## Global Oil Refiner

Quantified risk for US-functional GBPUSD exposure due to the deferment of UK tax liabilities

FX Advisory

*August 2020*

## Global Multi-Strategy Private Markets Manager

New client, advising on hedging strategy across all funds while negotiating costs resulting in significant savings for the manager

FX Advisory

*August 2020*

## Global Private Equity Manager

Executed c. £2.5bn equivalent of flow for 3 separate transactions across 3 currency pairs. Providing best execution on pricing, flow and counterparty risk

FX Advisory

*September 2020*

## Global Food and Beverage Corporate

Developed hedging strategy for the corporate's balance sheet translation risk due to a large investment in an emerging market

FX Advisory

*November 2020*

## European Real Estate Credit Manager

Sourcing and optimising structure of a £100m-£150m NAV Facility. Went out to over 30 lenders across banks, insurance companies and funds

Fund Finance Advisory

*January 2021*

## UK Infrastructure Manager

Advising on long term IR risk for a GBP LIBOR linked financing. Optimising hedge terms, language, costs, and swap structure

Interest Rate Advisory

# Our Services



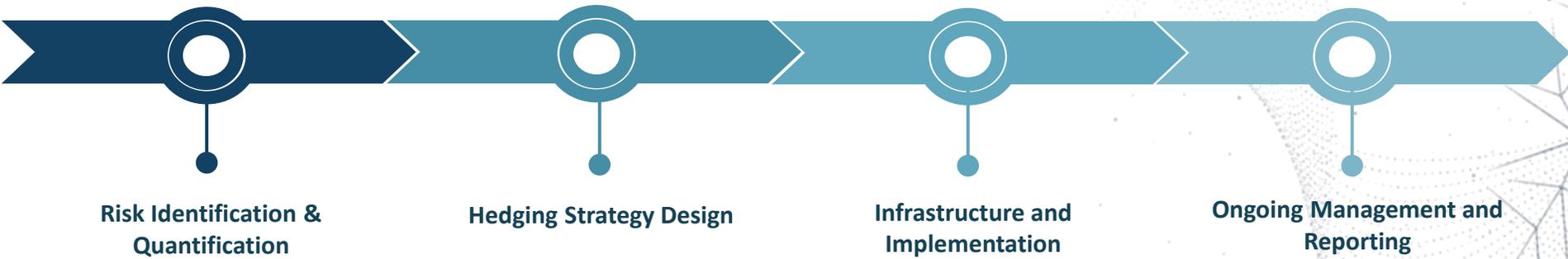


# Currency Risk Advisory

Validus has a longstanding track record of advising clients on currency risk as well as assisting them with the management of such exposures – often in the form of designing, implementing and managing a hedging programme that is customised to each client.

Clients seek our advice at different stages of the risk management cycle. Some are addressing currency risk for the first time; others have some experience but are not sure if their processes are in line with best market practice or if they can be otherwise optimised. We also assist several clients who have very sophisticated hedging programmes in place, but for various reasons would like to outsource the management to an independent specialist firm.

An engagement typically starts with an advisory project that aims to identify and quantify the risks, to then enable the design/redesign of an optimised hedging programme. An ongoing engagement then usually follows, whereby we assist with creating the hedging infrastructure, implementing and managing the programme, as well as providing comprehensive monitoring and reporting solutions. Ultimately, we act as an extension to our client’s own team, providing best-in-class risk management capabilities while enabling the client to focus on their key strengths.



# Currency Risk Advisory

A typical Currency Risk Advisory project, involves three main stages, as outlined below. Our team takes a quantitative-driven approach to understand how FX risk can affect the return profile of the fund or the KPIs of a company. This provides the necessary foundations when designing optimal strategies to mitigate this risk.



## Risk Identification & Quantification

- Identification and quantification of the potential impact of adverse market movements on relevant client KPIs, e.g., IRR for funds or valuation drivers, such as EBITDA.
- Development of a risk model that is used to assess and compare potential hedging strategies ex-ante.



## Strategy Design

- Assessing client objectives to achieve the most cost-effective solution.
- Design an optimal hedging programme whilst balancing protection, cost and liquidity.
- Compare strategies to peers to ensure best practice is being achieved.



## Documentation of Process

- Document strategies in a flexible Hedging Policy that can adapt to changing market dynamics.
- Assist our clients in reviewing their current internal set-up and assisting in the preparation of running a successful hedging programme.



# Ongoing Management

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With a full team of front, middle and back-office experts, Validus offers our clients an end-to-end solution to implement an optimal hedging programme. We act as an extension to your team and ensure a smooth and transparent process from decision to implementation.

## Counterparty Onboarding

We have relationships with over 50 banks globally and have deep insight into their strengths and weaknesses. Our dedicated ISDA team helps our clients navigate and negotiate the onboarding documentation and credit support agreements.

## Implementation and Best Execution

We implement the agreed hedging programme, ensuring Best Execution on all trades, in line with an agreed policy and Trade Process Manual. We also provide a customised technology platform to keep track of all trades, MtM, transaction costs, and more.

## Management and Reporting

Our dedicated Capital Markets team manages and monitors each hedging programme, reducing operational risk and resource-intensive tasks. RiskView, our proprietary technology platform, takes care of all reporting needs as well as providing insightful analytics.

Since we transact more than 2,000 trades every month (more than \$300bn in notional every year) across 50+ banks, we have a position in the market that is hard for any client to replicate in-house. We also have a unique market insight due to the number of clients we act for, enabling best practice to be observed and updated.



# Interest Rate Risk Advisory

For more than 10 years Validus has worked with clients around the world to develop and execute effective interest rate risk management strategies. Conscious of each client's unique situation we evaluate risk tolerance, borrowing requirements, credit profile, and regulatory constraints, before offering realistic and practical solutions This can involve all or some of the following:

STRATEGY & ANALYSIS	HEDGE IMPLEMENTATION	BEST EXECUTION	POST-TRANSACTION	TECHNOLOGY
<ul style="list-style-type: none"> <li>▪ Loan agreement / term sheet review and hedge language negotiation</li> <li>▪ Risk identification and quantification</li> <li>▪ Design of customized hedging solution</li> </ul>	<ul style="list-style-type: none"> <li>▪ Counterparty identification and selection</li> <li>▪ Negotiation and review of documentation (ISDAs, regulatory, KYC, and others)</li> <li>▪ Facilitate on-boarding requirements</li> </ul>	<ul style="list-style-type: none"> <li>▪ Direct pricing negotiation with counterparty</li> <li>▪ Diligent counterparty management</li> <li>▪ Transparent and documented Best Execution</li> </ul>	<ul style="list-style-type: none"> <li>▪ Transaction Summary</li> <li>▪ Review of Trade Confirmation</li> <li>▪ Full compliance with regulatory requirements (EMIR, MiFID II, Dodd Frank, and others)</li> </ul>	<ul style="list-style-type: none"> <li>▪ Cloud-based dashboard providing intuitive analysis of performance and exposure</li> <li>▪ Monitoring and reporting tools, Mark-to-Market valuations</li> <li>▪ Debt management solution</li> </ul>



# Interest Rate Risk Advisory

Primary considerations when assessing an Interest Rate Hedging strategy:

## Lender Requirements

**Are there specific hedging requirements agreed to as part of the facility agreement?**

- Identify key aspects (and assess optionality) from the facility agreement to create an optimal hedging structure for the borrower

## Cost

**How much are you willing to pay to protect against these risks?**

- Identify costs of various hedging strategies, both direct and indirect
- Assess the impact these costs will have on cash flow and performance/KPIs



## Protection

**What is your willingness and ability to take on risk?**

- Identify risks to performance/KPIs
- Assess appropriate hedging instruments and hedge ratios

## Liquidity

**Do you have the liquidity to purchase protection up-front or potentially post margin during the hedge life?**

- Identify what the liquidity requirements of each strategy will be on an ongoing basis and in adverse scenarios
- Negotiate terms that can alleviate this



# Fund Finance Advisory

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Validus works with Sponsors across the full range of fund finance facilities to identify financing needs throughout the life of the fund. We provide our fund finance advisory services through two models:

## Transaction Model

- We work with our clients to identify financing needs as and when they occur
- Once the optimal structure is agreed, we advise and manage the process for sourcing the deal providing a market screening across appropriate lenders for the request
- Once a lender has been chosen and indicative term sheets received, we may continue our services ensuring key terms are negotiated and project managing the process until closing

## Relationship Model

- We work with our clients to identify specific value-adds across all funds and provide a view on best practices within the fund finance market
- We provide ongoing support on existing documentation and exposure, insight on structures and terms, and advise on critical negotiation points
- We provide ongoing advisory services outside of a single transaction and work through existing and future financing needs

# Fund Finance Advisory

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We advise across the full range of fund finance solutions:

»» **SUBSCRIPTION LINE FACILITIES**

»» **LIQUIDITY AND WORKING CAPITAL FACILITIES**

»» **ASSET-BACKED LENDING**

»» **GP COMMITMENT FACILITIES**

»» **HYBRID FACILITIES**

»» **BESPOKE/ CUSTOMISED FUND FINANCING FACILITIES**

# Fund Finance Advisory – Transaction Model

Our capabilities will allow you to see the full market scope of your financing request, ensuring competitive terms and optimal structure for your needs. We offer our services into two stages.



## Identify Ideal Structure & Screen Market Appetite

- Provide a full view of active and supportive lenders in the space
- Identify lenders for long term relationship needs
- Ensure pricing and fees are competitive
- Optimize LTV and Borrowing Base
- Ensure competitive advance rates and fair diversity / eligibility criteria
- Advise on benchmark financial covenants / tests / cash sweeps

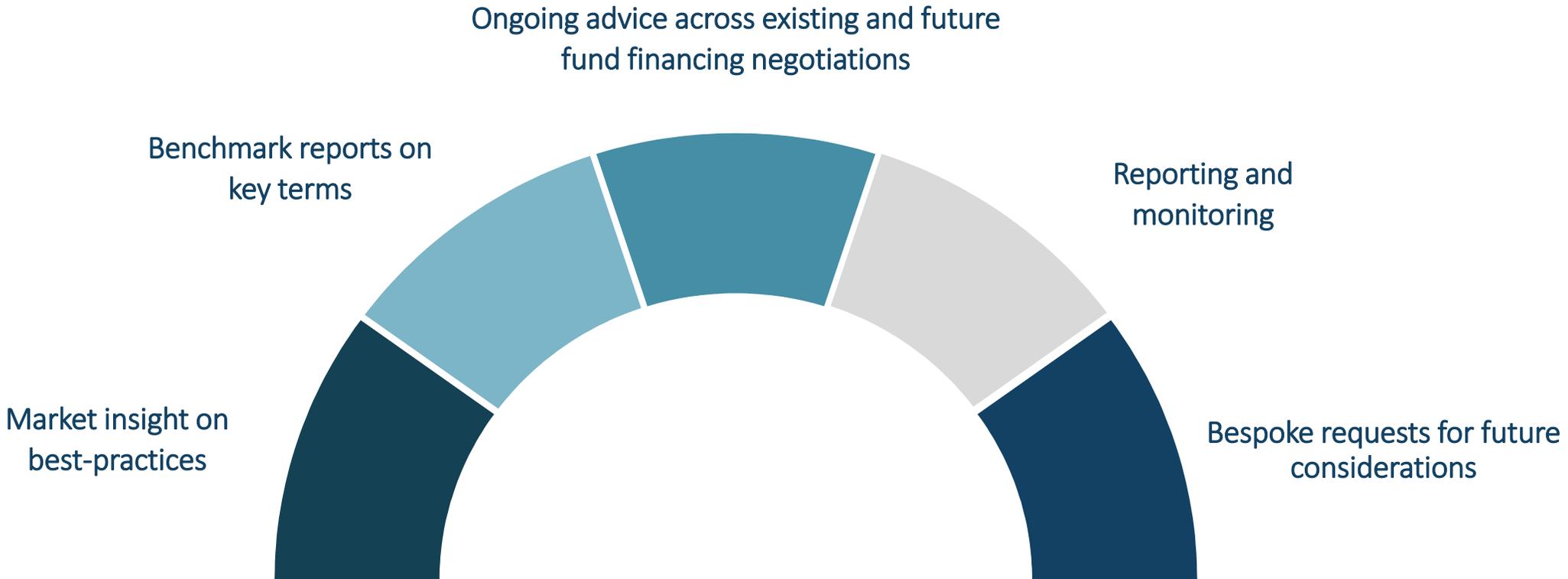
## Project Manage Until Closing

- Create a roadmap to execution
- Provide market view of legal counsel for the deal
- Assist with further analysis of collateral pool / borrowing base
- Structure and advise on borrowing base models
- Work closely with borrower side counsel to optimise key points
- Act as the central point of communication, providing summaries and updates on negotiations while driving progress to hit deadlines, pushing ahead the deal
- See through conditions precedent until closing



# Fund Finance Advisory – Relationship Model

We will tailor a relationship offering specific to that of the Sponsors needs and provide ongoing support across all identified funds. In this case, we offer our services on an ongoing basis which differs from the transactional service which we are hired for one identified request



# Technology Solutions

**Validus Horizon**, our core, proprietary technology system, consists of several workflow modules and custom applications that can be assembled to provide an end-user platform that is individually customized to each client. This robust platform allows users to actively monitor open hedging positions across multiple risks (e.g., FX and Rates), including valuations, hedge performance and analysis. The automated components of the platform reduce time intensive and laborious manual processes whilst significantly reducing risk of human error.

Our technology platform can connect with various third-party providers such as fund admins, treasury and portfolio management systems, or clients' own data warehouses. This enables seamless and automated transfer of data enabling crucial analysis and monitoring capabilities for investment and risk management decisions.



## Platform features include:

- Risk metric monitoring – protection, cost, liquidity
- Hedge performance, attribution, and exposure reporting – vs individual deals, funds, and/or portfolios
- Transactional cost analysis, counterparty wallet share, and peer benchmarking
- MtM valuation monitor by counterparty, fund, and/or portfolio
- CSA threshold and liquidity/collateral at risk monitor
- Counterparty credit risk monitor
- Financial market data (FX, rates, inflation, commodities, etc.)



# Regulatory Reporting

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Validus offers a full end-to-end reporting solution to help clients satisfy their EMIR, MiFiD, and Dodd Frank trade reporting requirements. We support all types of structures, including complex fund structures with multiple trading entities.

By delegating trade reporting to Validus, our clients benefit from a single consolidated reporting solution. Our service is tailored to each client's regulatory requirements and entity type (FC, NFCs, etc.), and includes, but is not limited to, the below:

## ONBOARDING



Each client confirms a full list of entities, counterparty details and certain static data (e.g. EMIR status) that they would like trade reporting for.

## DAILY REPORTING



Trade data is enriched and submitted to an authorised Trade Repository daily.

## ONGOING MONITORING



Validus provides our clients with periodic reports to aid oversight and accountability. All reporting data is of course also fully auditable.

# Disclaimer

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