

The Private Wealth Management Landscape

An Overview of the Primary Advisory Models Serving High Net Worth Clients

There are three (3) primary wealth advisory models that serve the high net worth segment, and each has its own set of potential advantages and limitations.

	National Brokerage Firms	Private Banks and Trust Companies	Registered Investment Advisers (RIAs) and Multi-Family Offices
Potential Advantages	<ul style="list-style-type: none"> ▪ National footprint ▪ Wide range of services and solutions ▪ Firm-wide strategic and tactical allocation guidance ▪ Centralized due diligence for advisory solutions ▪ Subset of advisors focused on wealthy families ▪ Significant advisor oversight and financial strength ▪ Can be aggressive in securities-based lending 	<ul style="list-style-type: none"> ▪ Integrated wealth management process ▪ 'Team of experts' approach – relationship management, investments, trusts and estates, philanthropy, and lending ▪ Centralized strategic and tactical allocation guidance and solution due diligence ▪ Solutions tightly controlled and consistently applied across advisors and clients ▪ Custody platform with assets held in client name ▪ Significant advisor oversight and financial strength 	<ul style="list-style-type: none"> ▪ Fiduciary standard of care ▪ Potential for conflict-free advice ▪ Integrated wealth management process ▪ Investment Policy Statement (IPS) central to model ▪ Most employ unaffiliated custodians ▪ Greater transparency versus other models ▪ Fee-based compensation
Potential Limitations	<ul style="list-style-type: none"> ▪ Hybrid advice model – brokerage and advisory: <ul style="list-style-type: none"> – Suitability standard for brokerage model – Significant conflicts within advisory model ▪ Inconsistent, advisor-driven client advice and fees ▪ Scale and profit pressure on talent and investment solution quality ▪ Assets held in 'street name' and segregated by client ▪ Frequent use of packaged and proprietary products ▪ Can be bureaucratic and siloed 	<ul style="list-style-type: none"> ▪ Proprietary solution history and orientation ▪ Frequent material conflicts of interest ▪ Relationship managers can lack investment expertise ▪ Expect ongoing professional turnover ▪ Fees at the higher end of the range ▪ Process and solutions lack flexibility – confining for some investors 	<ul style="list-style-type: none"> ▪ Approx. 11,000 SEC-registered firms with assets greater than \$100M ▪ Wide variance in size, scope, experience, resources, investment capabilities, and performance results ▪ Geographically confined ▪ Few firms truly qualified for wealthy families ▪ Significant difference between disclosing and eliminating conflicts ▪ Many employ proprietary strategies ▪ Likely to include multiple layers of cost

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How We Evaluate Financial Advisors and Wealth Management Firms

SpringReef LLC has a comprehensive and transparent process for evaluating financial advisors and wealth management firms, assessing them on twenty (20) dimensions that include both qualitative and quantitative measures.

Our qualitative assessment of advisors and firms begins with a review of their operating history and regulatory records, along with the strength and stability of their business and their experience with high net worth clients. They are then evaluated on the quality and depth of their investment process, capabilities and solutions, as well as on their levels of transparency, conflict mitigation, and commitment to client service. Our quantitative evaluation includes a thorough review of a provider's performance results versus benchmarks and peers, and an assessment of their fees relative to the client situation and to industry norms.

Our advisor evaluation process is based on a score of 50 points. To be considered recommended by our firm, an advisor must score at least 40 out of 50 points.

<p>1. Fundamentals (10 pts.)</p> <ul style="list-style-type: none"> ▪ Quality of compliance and regulatory history ▪ Length and stability of operating history ▪ Business stability, strength, and protection ▪ Focus on and experience with wealthy families ▪ Risk management 	<p>2. Investment Process and Capabilities (10 pts.)</p> <ul style="list-style-type: none"> ▪ Quality of investment process ▪ Breadth and depth of best-in-class solutions ▪ Solution expertise and due diligence ▪ Diversification of idea flow ▪ Strength of reporting capabilities 	<p>3. Performance Results (10 pts.)</p> <ul style="list-style-type: none"> ▪ Asset-weighted performance results: <ul style="list-style-type: none"> – Strategic allocation vs. a simple blend – Value of tactical tilts after-tax – Investment solutions vs. asset class benchmarks and peers
<p>4. Fees (10 pts.)</p> <ul style="list-style-type: none"> ▪ Fees relative to level of assets, value offered, complexity of situation, and competitors: <ul style="list-style-type: none"> – Advisory fees – Fees for investment solutions – Fees for custody and execution 	<p>5. Firm and Advisor Attributes (5 pts.)</p> <ul style="list-style-type: none"> ▪ Alignment of client and business values ▪ Business transparency and conflict mitigation ▪ Size of “sales gap” ▪ Reputation and reliability 	<p>6. Service and Satisfaction (5 pts.)</p> <ul style="list-style-type: none"> ▪ Client and asset retention ▪ Client and industry references ▪ Performance against client commitments ▪ New client onboarding process

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