

June 2016

# Financial Technology Partners LP FTP Securities LLC



## Are the Robots Taking Over?

### *The Emergence of Automated Digital Wealth Management Solutions*

Courtesy of:

**FINANCIAL  
TECHNOLOGY  
PARTNERS**

*The Only Investment Bank  
Focused Exclusively on Financial Technology*

[www.ftpartners.com](http://www.ftpartners.com)

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# Digital Wealth Management

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# I. Executive Summary



# Executive Summary

## Overview

**Digital Wealth Management has become one of the hottest sub-segments of FinTech as participants in the wealth management ecosystem are highly focused on evaluating their product, distribution and advice strategies**

**FT Partners has significant experience in the space having advised [BlackRock](#) on its acquisition of [FutureAdvisor](#) among many other related transactions**



- **With the advent of Automated Digital Wealth Management solutions (aka robo advisors), the traditional wealth management industry is facing perhaps its most disruptive threat since low-cost online stock trading emerged in the mid 1990's**
  - The combination of highly credible digital wealth management solutions, the Millennial generation's predisposition to "do-it-yourself-through-an-app" and the pending transfer of trillions of dollars of wealth to and eventually from Baby Boomers is forcing participants across the wealth management industry to reevaluate their product and distribution strategies
  - Already suffering from the relative shift in appetite towards ETFs and other passive investment vehicles, the mutual fund industry in particular appears further threatened by digital wealth management solutions since most of the solution providers utilize ETFs as their underlying investment vehicles; this movement may force firms that have traditionally only focused on providing financial services products to focus on providing scalable advice as well – the new Department of Labor rules around fiduciary duty for retirement service providers will likely exacerbate this trend
  - At a minimum, all wealth managers should be highly focused on "digitizing" their businesses as consumers of all ages and demographics will increasingly expect an "Amazon and Uber-like" experience from all of their financial service providers
- **Similar to the online trading playbook, new consumer brands are emerging in the digital wealth management industry (such as Betterment, Wealthfront and Personal Capital) while traditional firms are striking back by either offering their own in-house solutions (such as Charles Schwab and Vanguard) or partnering or acquiring to speed time to market**
  - Recent M&A includes BlackRock's acquisition of FutureAdvisor, Invesco's acquisition of Jemstep and Northwestern Mutual's acquisition of LearnVest
- **A handful of different business models have materialized in the digital wealth management space including 1) new direct-to-consumer brands with limited advisor assistance, 2) new direct-to-consumer brands with heavier advisor assistance, 3) traditional firms with in-house digital wealth management solutions, 4) business-to-business and white label providers enabling others to offer their own digital wealth management solutions and 5) retirement-specific providers including both direct-to-consumer and business-to-business providers**
- **Similar to other recent FinTech innovations, digital wealth solution providers are quickly emerging around the globe – in fact, we have identified more international direct-to-consumer players than in the U.S.**
- **As capital continues to flow into the digital wealth management space and traditional investment management firms evaluate their strategies, we expect to see a notable increase in partnership and M&A activity in the space over the next 12-18 months**
  - A number of newer firms are likely to be acquired by larger organizations that are looking to add or deepen their digital wealth management capabilities while only a relatively small number of new consumer brands are likely to achieve the level of scale (and funding) they need to survive on their own over the long-term





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# Executive Summary

## Overview (cont.)

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*In this report, we ...*

- **Discuss the key industry trends driving innovation in the wealth management space and the emergence of robo advisors**
- **Highlight the nuances between different automated digital wealth management platforms and business models**
  - Advisor involvement vs entirely automated
  - Different fee structures
  - Direct-to-Consumer vs Business-to-Business / white-label service models
- **Examine the responses of incumbents in the wealth management space, including the innovations, partnerships and acquisitions being made to stay ahead of the game**
- **Interview 8 digital wealth pioneers**
- **Provide a broad landscape of digital wealth management providers as well as other innovative, tangential companies**
- **Profile 28 companies in the digital wealth management space**
- **Include a comprehensive list of private equity financing and M&A transactions in the space**

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## II. Industry Overview and Trends



# Digital Wealth Management

## Industry Overview

*Digital wealth managers (aka robo advisors) have emerged as disruptive, potentially cheaper alternatives to traditional financial advisors causing the industry to respond*

*While the total assets managed today by digital upstarts still only represent a tiny fraction of overall industry assets under management, the emergence of robo advisors and other digital wealth management tools should force all wealth managers to think about “digitizing” their business*

### Digital Wealth Management Overview

- Digital Wealth Management is emerging as a potential major disruptor of traditional wealth management and investment advisor services
- Digital wealth managers (aka robo advisors) are providing services such as financial planning, portfolio construction and automated rebalancing often at a fraction of the price of traditional investment advisors, by leveraging technology to automate some, or all, of the investment process
  - By investing in low-cost ETFs, robo advisors are able to diversify while keeping portfolio costs low and fee structures transparent
- Digital wealth managers, due to their low costs, can also target demographics such as Millennials and the mass affluent, which are generally either economically unfeasible for traditional RIAs to serve or difficult to reach
- While traditional advisors often rely on word of mouth to bring in new business, tech-reliant digital wealth management companies often utilize social media and online referrals to drive their marketing efforts; additionally, digital wealth management tools are proving to be a viable lead gen channel (i.e. free product leading to paid version)
- A number of traditional wealth managers including Vanguard and Charles Schwab have begun offering their own automated investment platforms in order to compete with upstarts; others such as BlackRock and Invesco have responded with acquisitions
- A number of relatively new technology firms have emerged that are providing digital wealth management capabilities on a white label basis (including robo advisory services) to traditional wealth managers, enabling them to compete on a more level playing field; examples include Riskalyze, Vanare, Trizic and Jemstep, which was recently acquired by Invesco
- The market share currently controlled by emerging automated digital wealth management firms is still very small, and as a post-recession phenomenon, they have not yet been battle-tested through a bear market

### Selected Digital Wealth Managers

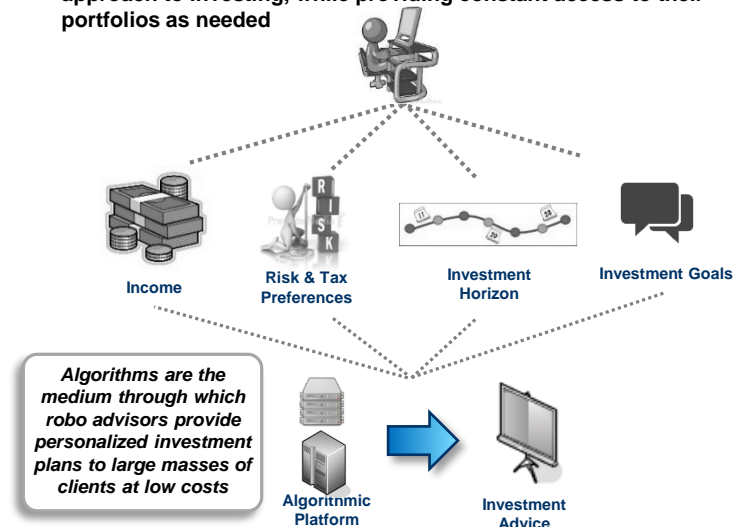


### Selected White Label Providers



### Digital Wealth Management is Powered by Technology

- Automated investment platforms have been developed that use Modern Portfolio Theory to develop diversified portfolios from pre-selected asset classes
- Algorithms enable investors to enter investment goals, horizons and preferences to create personalized investment plans
- Automated rebalancing allows investors to maintain a hands-off approach to investing, while providing constant access to their portfolios as needed



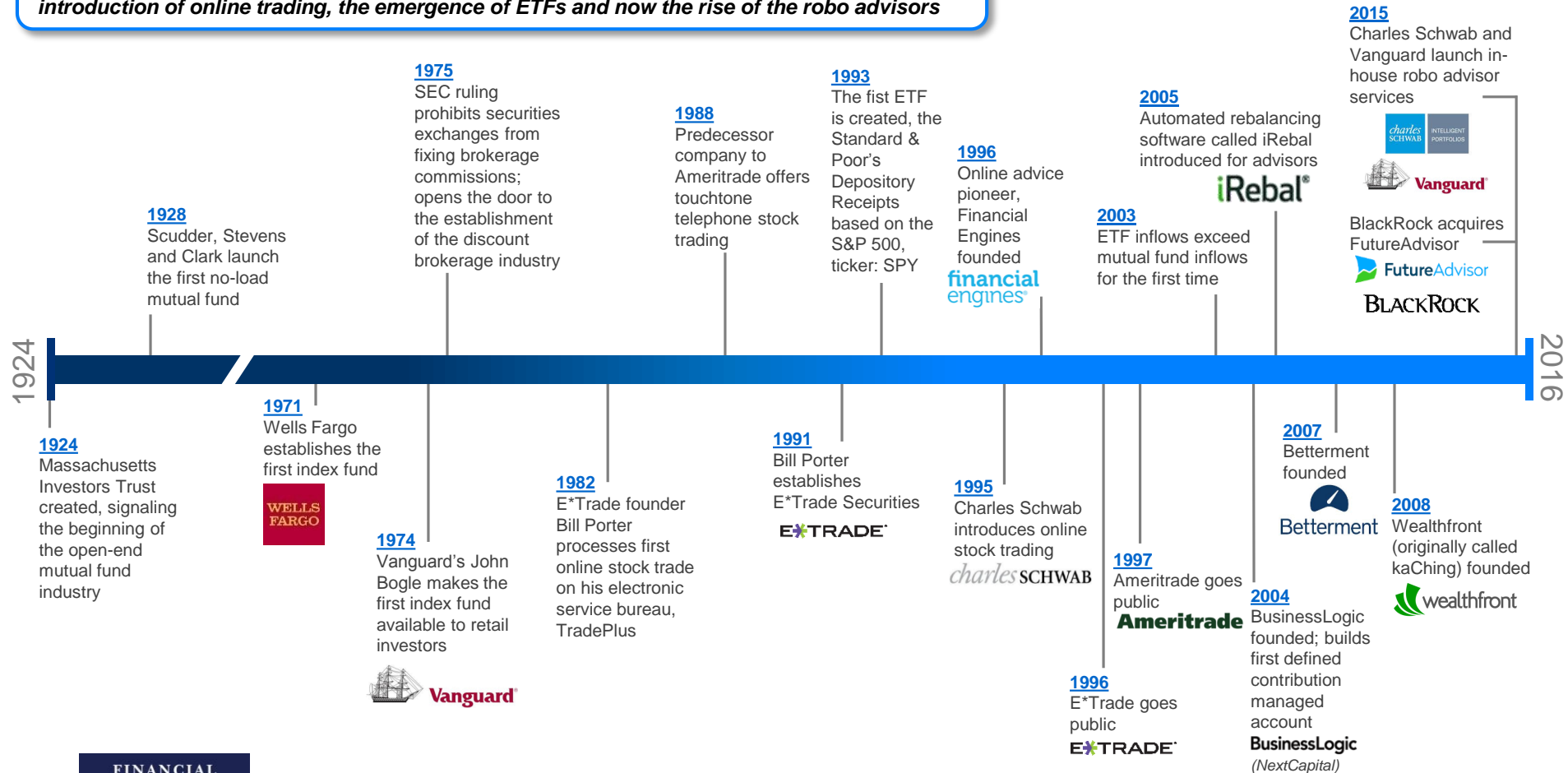




# Digital Wealth Management

## Industry Overview – Disruptive Events in the History of Wealth Management

**Key disruptive events in the history of wealth management include the invention of the mutual fund, the launch of the first index fund, the deregulation of brokerage commissions, the introduction of online trading, the emergence of ETFs and now the rise of the robo advisors**



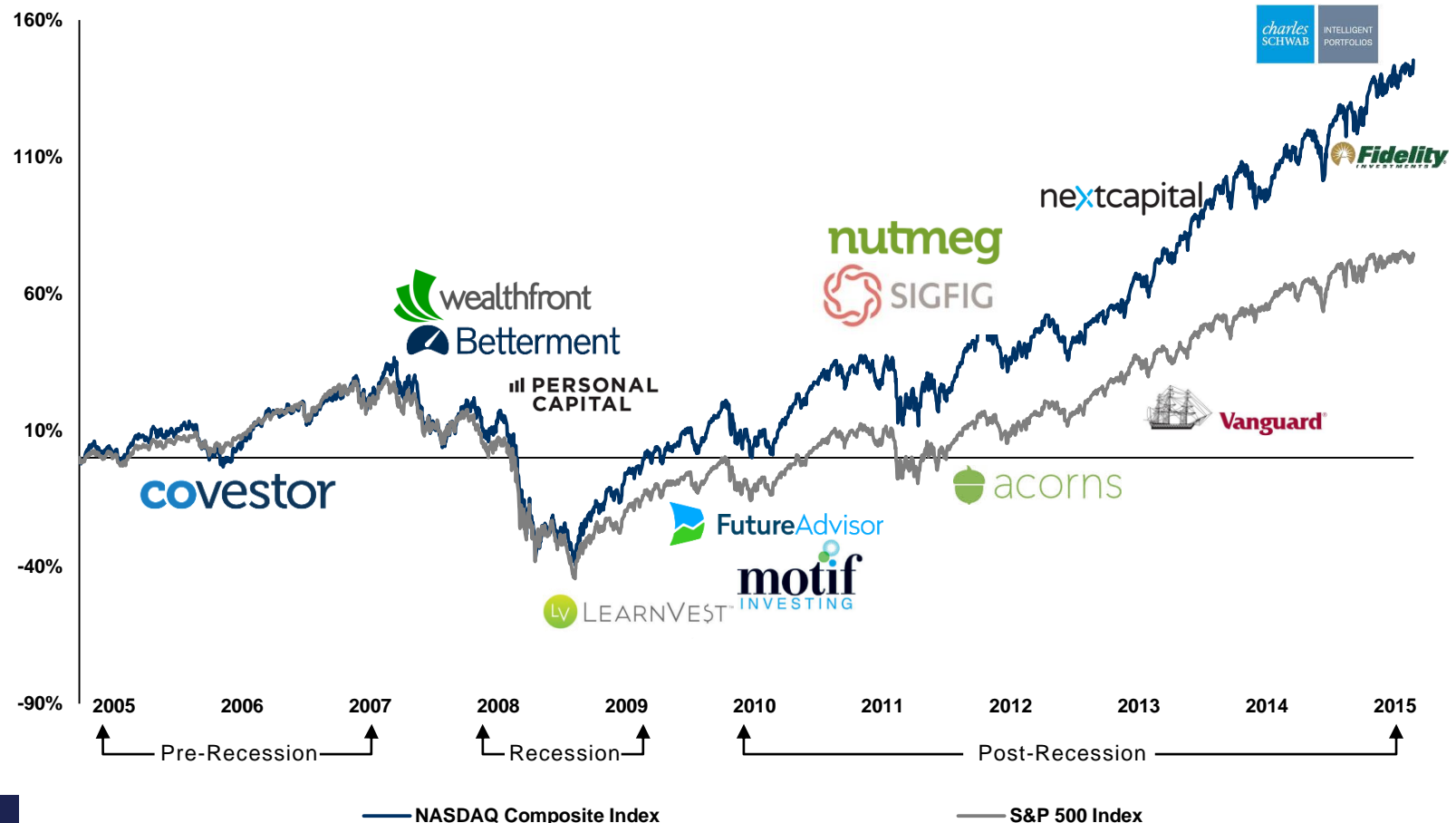




# Digital Wealth Management

## Industry Overview – A New Niche Grows Out of the Recession

*Increasing desire for more transparent and lower cost ways to invest coupled with caution stemming from the financial crisis created the opportunity for robo advisors to target new investors and the mass affluent*

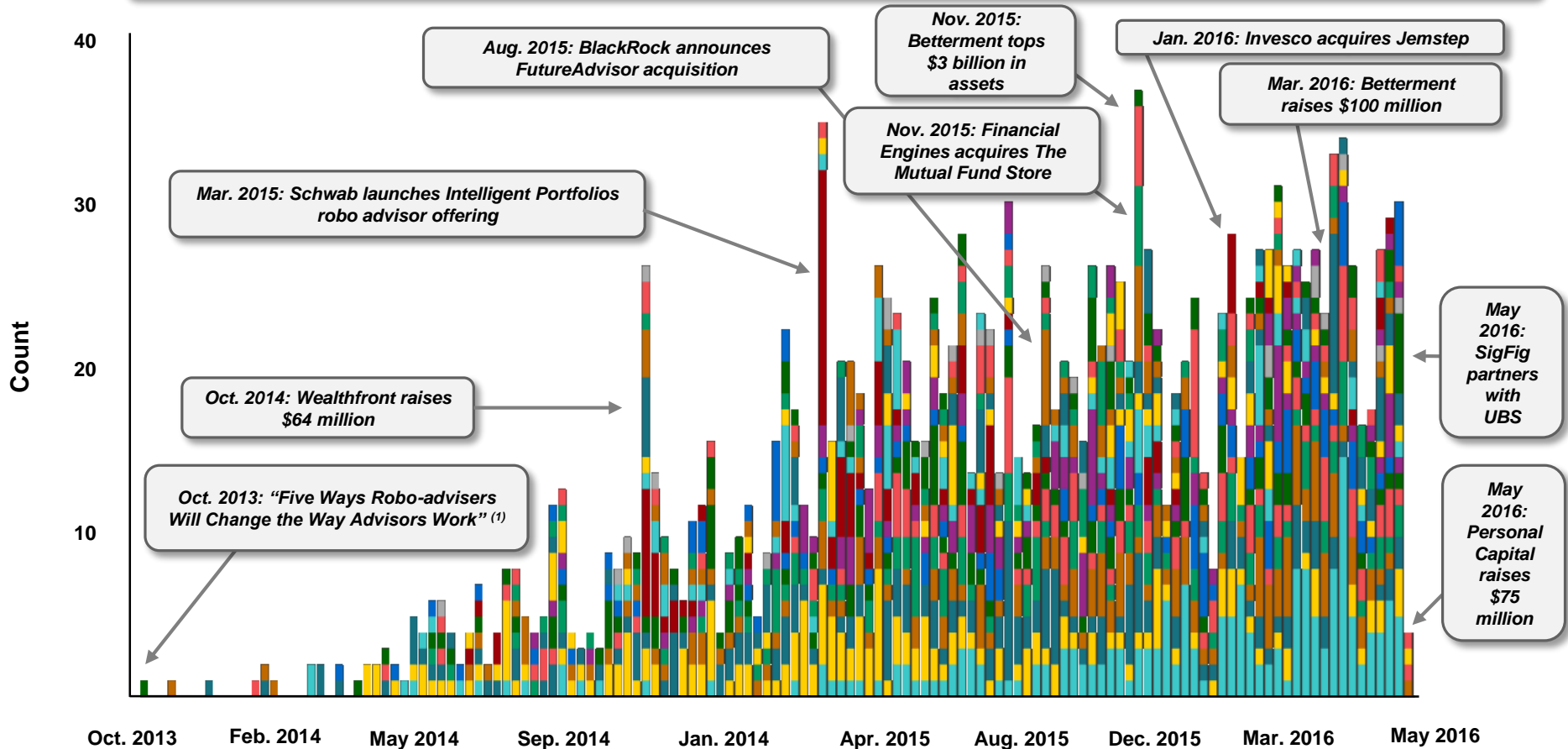




# Digital Wealth Management

## Industry Overview – Robo Advisors in the Press

Robo advisors have remained in the news through capital raises, product launches, M&A activity and partnerships





# Digital Wealth Management


## Industry Overview – The Industry Speaks

***“At 0.30%, [robo advisors] offer an incredible value for a traditional advisory service towards the growing needs of the Baby Boom generation. At Wealthfront, we’re focused on the ascendant millennial investor, who prefers a fully automated investment service.”***

 - Adam Nash, Wealthfront’s CEO  
Source: Investment News

***“Bank of America Corp.’s ‘thundering herd’ of Merrill Lynch financial advisers is about to be joined by a robot. The firm has put dozens of employees to work on an automated investment prototype for Merrill Edge, which targets accounts under \$250,000, according to two people with knowledge of the project. Bank of America intends to unveil the service next year, said the people, who asked not to be identified speaking about company plans.”***


***“Bank of America sees an opportunity “for a robo-advised offering that could complement the advice and guidance offered by our financial solutions advisers.”***

 - Anne Pace, Bank of America’s Communication Executive  
Source: Bloomberg News

***“LPL said it is adopting the digital hybrid approach that is increasingly popular among advisors. The independent broker/dealer didn’t provide many specifics, but said, ‘it has begun working with a third-party to develop a robo-enabled solution that is intended to complement its advisors’ core business.’ LPL will integrate the robo advisor into its custodial platform and said it will be supported by its centrally managed portfolios platform. Before a company-wide launch, LPL will run a pilot program with a handful of advisor practices in 2016.”***

 - Mark Casady, LPL Financial’s Chairman and CEO  
Source: WealthManagement.com

***“Robo advisors have been simulated on bear markets in the past, but the challenge is that every market is different. Those market participants are increasingly computerized. It would be difficult to simulate future financial markets because we don’t even know who will participate in these financial markets. We don’t know what computer programs will be invented and we don’t know what crazy things these computer programs will do. If you can’t predict a class of things, you can’t program a computer to react to it in a rational way. Computer algorithms people invent two years from now will be different from what is used to trade today. SEC rules can be different.”***

 - Christopher Thorpe, Blueleaf’s Co-Founder  
Source: Investment News

Source: Company websites, Karlsruhe Institute of Technology, IDC, MindFrame, Infosys.



# Digital Wealth Management

## Industry Overview – The Industry Speaks (cont.)

***“That is a real threat to our business, because we are disproportionately full-service, high-value-added, person-to-person activity, which isn’t for everybody. There’s generations of tomorrow’s investors coming up today who may be more attracted to something less person-to-person and more technologically enabled.”***



- John Shrewsbury, Wells Fargo’s CFO  
Source: Bloomberg News

***“I don’t know of anything more overstated in its impact than robo advisors in the last 17 years. When you step back and take a look at robos, we all can recognize the strategy. It’s an acquisition strategy, it’s about the sale of the business. Certainly you’ve heard this. I’ve certainly been contacted about it.” There are aspects of robos, he acknowledged, “that make incredible sense” for certain self-directed clients and they present an ability for advisors to expand their practice and move down the economic chain and reach new clients.***



- Walt Bettinger, Charles Schwab’s President and CEO  
Source: Financial Planning

***“Automated advice is here to stay, but consumers should look at it as a way to augment your experience with a financial advisor.”***



- Patrick Yip, Director at Pershing  
Source: CNBC

***“I would predict that any but the top two, Wealthfront and Betterment, probably have a greater than 50% chance of being sold in the next 12 months.”***



- Aaron Klein, Riskalyze’s CEO  
Source: Investment News

***“Digital advice will become a multi-trillion dollar market over the next decade. Trusted brands with large installed client bases that rapidly adapt to digital advice will win this opportunity.”***

nextcapital - John Patterson, NextCapital’s CEO

Source: Company websites, Karlsruhe Institute of Technology, IDC, MindFrame, Infosys.





# Digital Wealth Management

## Industry Overview – The End Game and Potential Threats

*With dozens of online brokers, investment managers, and robo advisors competing for the same assets, it is unclear what the mature industry will look like and who the ultimate winners will be*



*Will the end result be a new robo advisor like Wealthfront or Betterment dominating, large institutions like Charles Schwab and Vanguard retaining their strong positions, traditional advisors successfully adopting robo technology, a new mix of human and online management like Personal Capital rising to the top or something entirely different?*

### Regulatory Issues: Fiduciary Duty

Questions surrounding whether or not fiduciary duty laws apply to robo advisors:

Existing laws on the fiduciary duty of an investment advisor currently do not fully account for digital wealth management platforms; robo advisors may not be free from conflicts of interest, may not meet “a high standard of care”, may not provide “completely” personalized investment advice, and may not fulfill other fiduciary standards that a traditional advisor would have to meet <sup>(1)</sup>

### Uncertainty in a Down Market

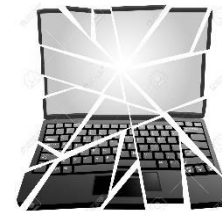
Robo advisors have been largely sheltered from a substantial market downturn, which could see a sharp shift in assets under management due to market declines and / or clients redeeming



Financial Engines, a retirement-focused electronic investment advisor saw decreased participant savings rates as a result of the recent recession, as well as a decrease in 401(k) savings from workers under the age of 40

### Algorithmic and Security Trouble

While unlikely, potential algorithmic issues may cause undesired automatic trading within robo advisor portfolios, as well as possible trade failures that are equally unattractive



With the growing internet security issues, robo advisors and custodians could be growing targets for harmful intrusions

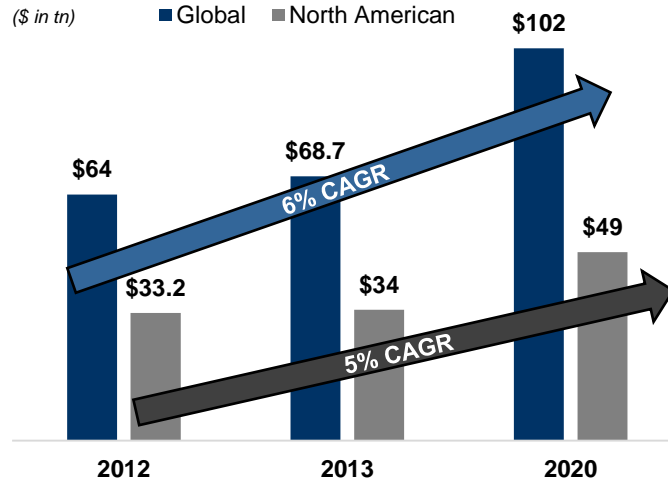


# Digital Wealth Management

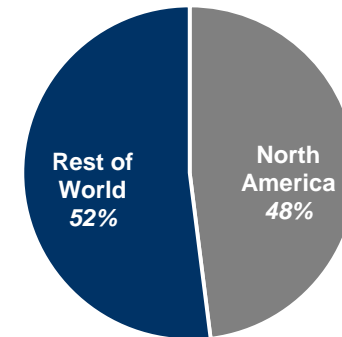
## Industry Trends – Growing Global Wealth Market

*Investment management is a massive, growing global industry*

### Historical and Projected Total Assets Under Management

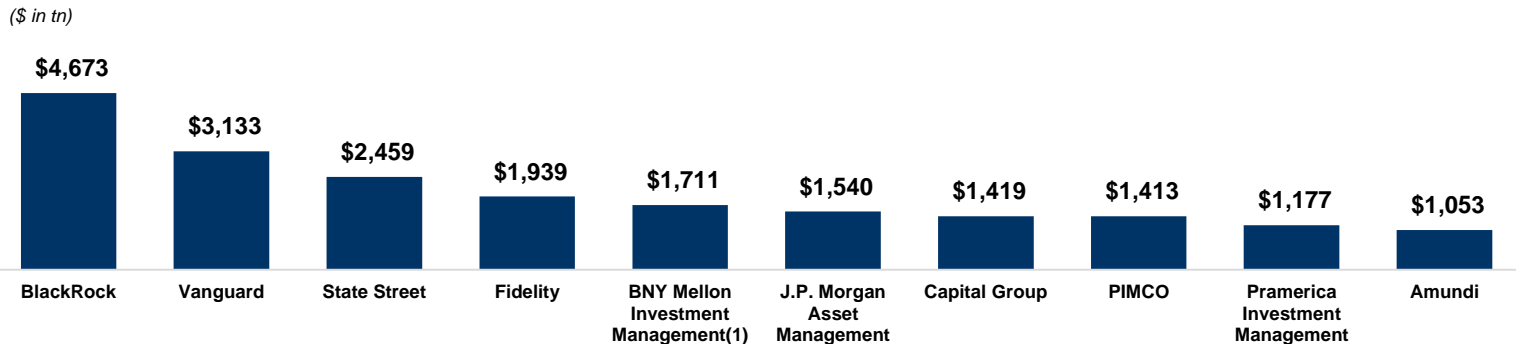


### Projected Percentage of Assets Under Management in 2020



*In 2020, more than half of the global projected assets under management are expected to be held outside of North America*

### Ten Largest Global Traditional Asset Managers by AUM as of Year End 2014



Source: Statista, PricewaterhouseCoopers, "Global Assets Under Management (AUM) to Exceed \$100 Trillion by 2020 with Nearly 50 Percent Residing in North America," Boston Consulting Group, "Global Asset Management 2014: Steering the Course to Growth," Investments and Pensions Europe, "Top 400 Asset Managers 2015: Global Assets Top €50trn."  
 (1) Pershing, a BNY Mellon company has recently partnered with Marstone to roll out its own robo advisory service; Investment News, "Pershing Taps Marstone Partnership to Debut First Adviser-Focused Robo."

*Total global assets under management were \$68.7 trillion at the end of 2013, according to Boston Consulting Group; PricewaterhouseCoopers projects total assets managed to grow nearly 6% annually to a total of \$102 trillion in 2020*

*Of the traditional asset managers, three of the largest five have actively sought expansion into new digital wealth management solutions beyond custodial duties, with more likely to follow*

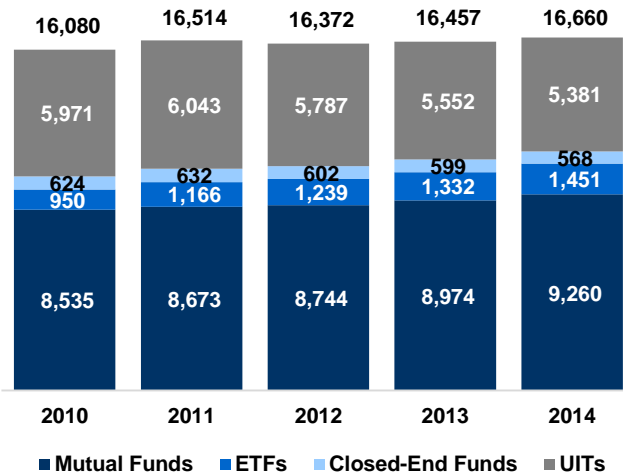




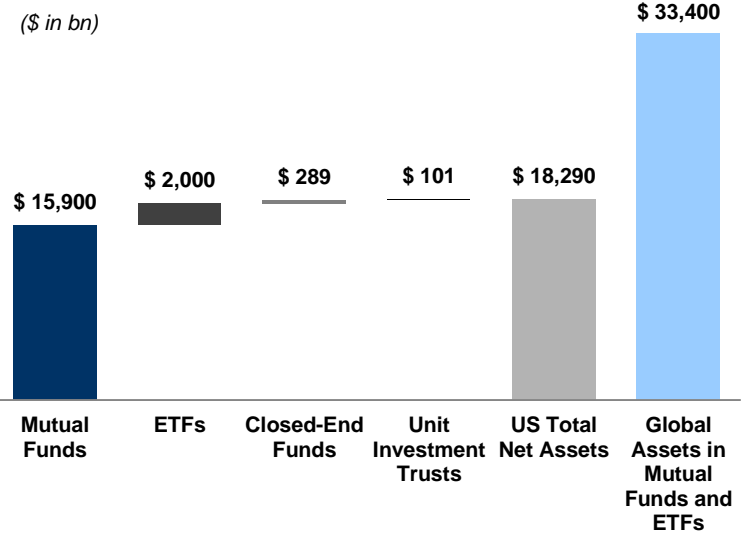
# Digital Wealth Management

## Industry Trends – Asset Landscape

Number of Registered Investment Companies by Type <sup>(1)</sup>

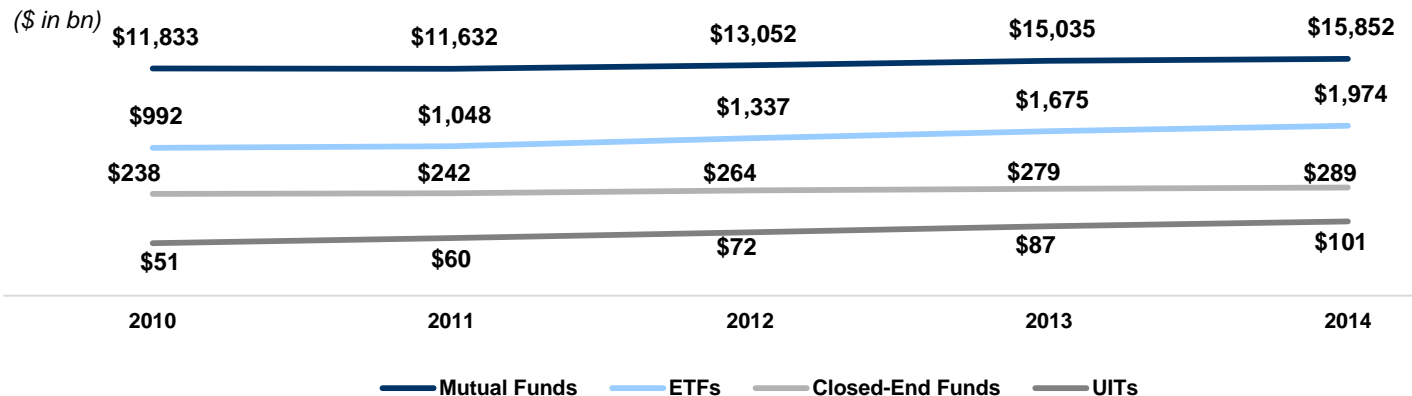


Total Assets by Investment Type



Mutual funds continue to dominate as the most preferred investment vehicle

U.S. Asset Distribution







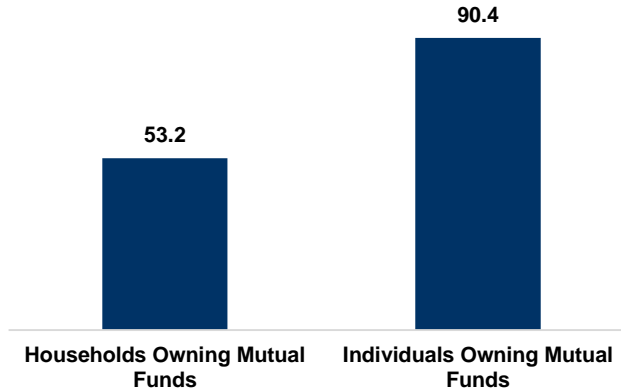
# Digital Wealth Management

## Industry Trends – Asset Landscape (cont.)

*The majority of mutual fund assets are held by over 53 million American households in long-term mutual funds*

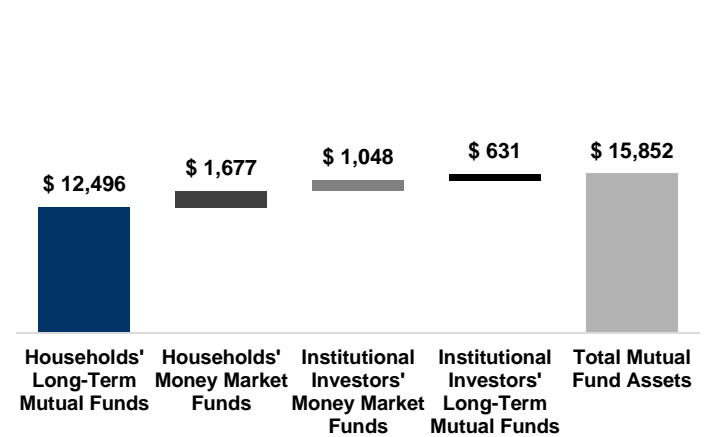
### U.S. Mutual Fund Ownership

(in millions)



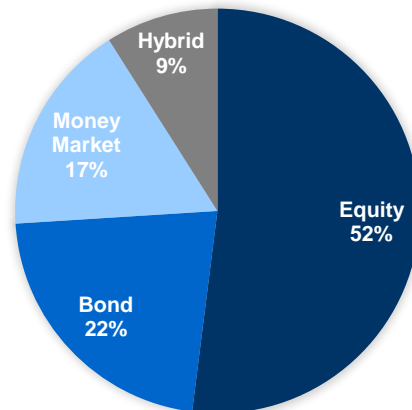
### Institutional and Household Ownership of Mutual Funds

(\$ in bn)

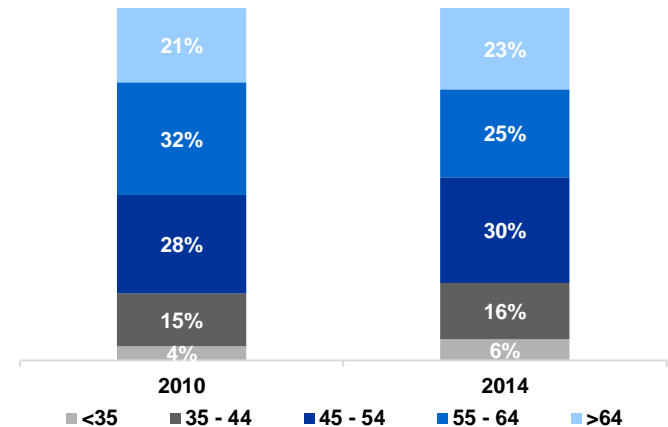


### Percentage Composition of U.S. Mutual Fund Assets

*Nearly 80% of mutual fund assets are held by those over 44 years old, although there has been an increase in the percentage held by those 44 and under*



### Percentage of Households' Mutual Fund Assets by Age Group

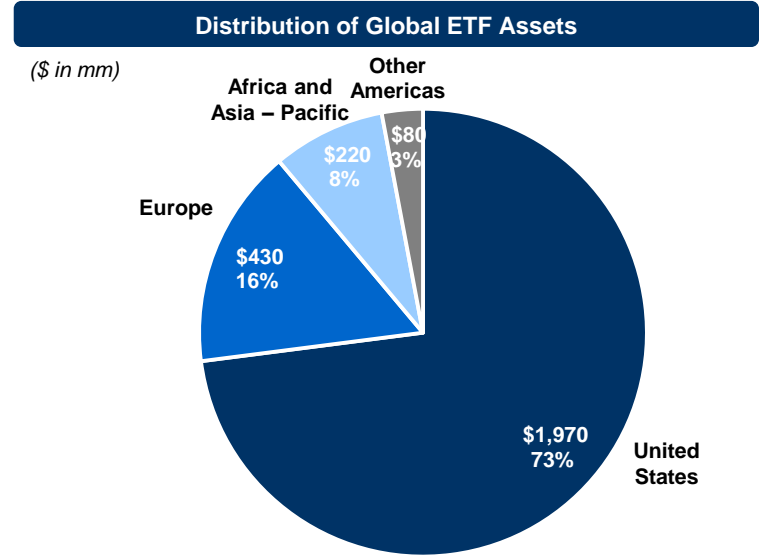
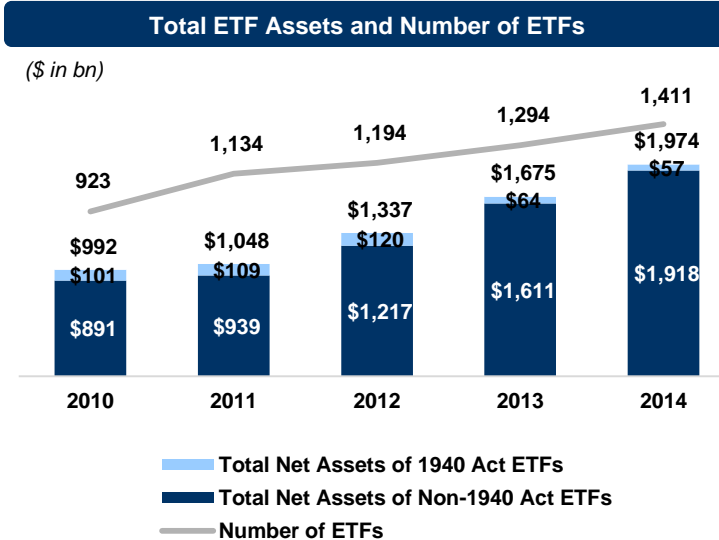




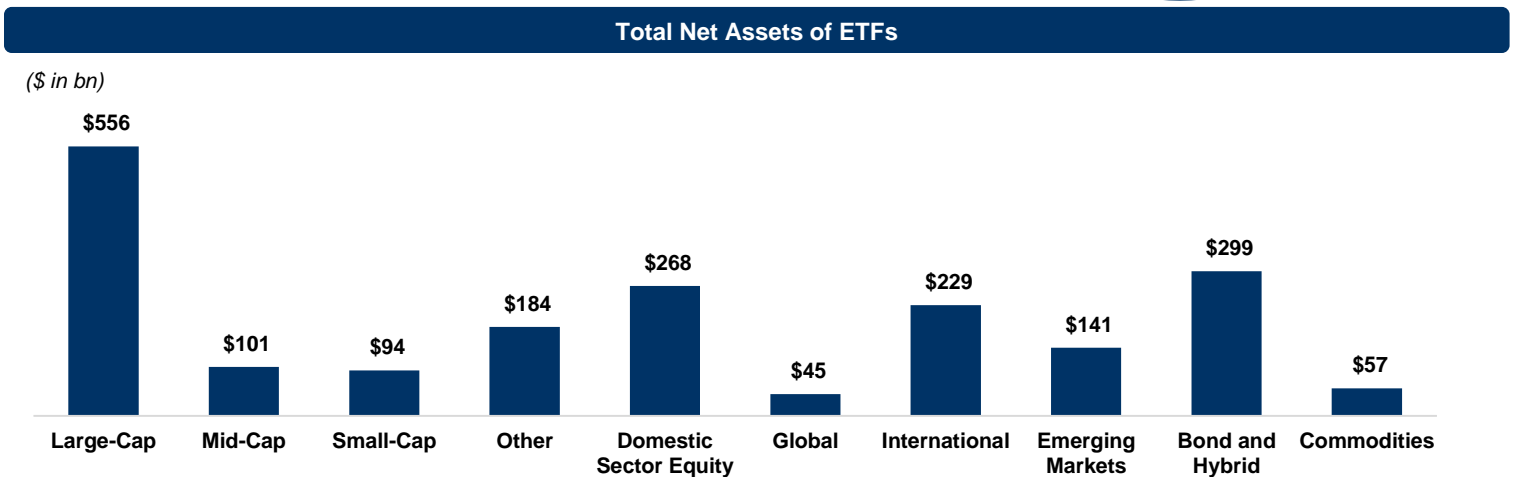
# Digital Wealth Management

## Industry Trends – Asset Landscape (cont.)

ETF assets grew at a healthy 19% CAGR from 2010 to 2014



Large-cap equities dominate ETF assets



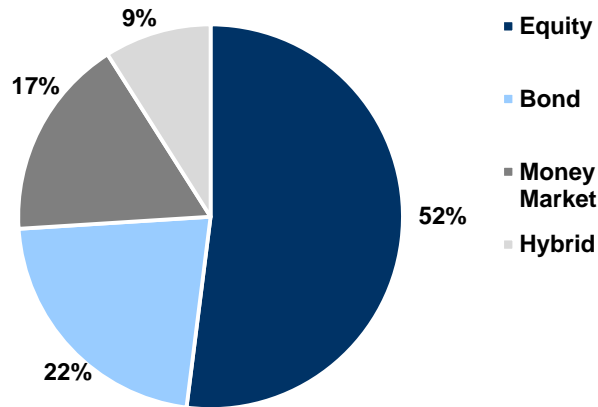


# Digital Wealth Management

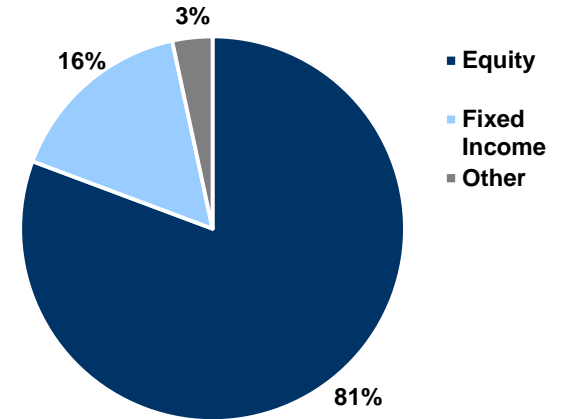
## Industry Trends – Asset Landscape (cont.)

*Equity funds comprise more than half of all mutual funds and over 80% of ETFs*

Mutual Fund Asset Allocation

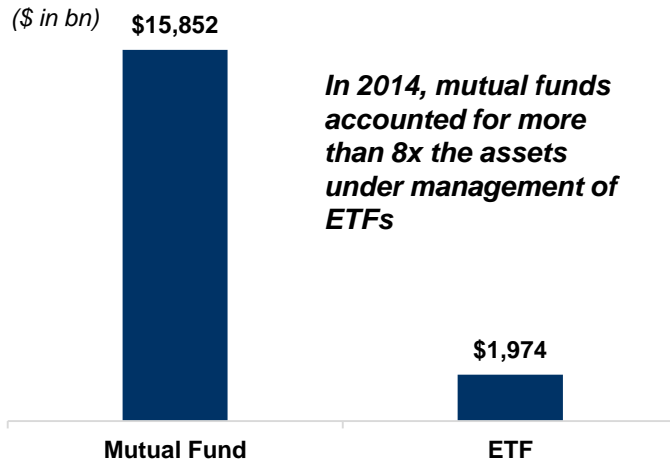


ETF Asset Allocation



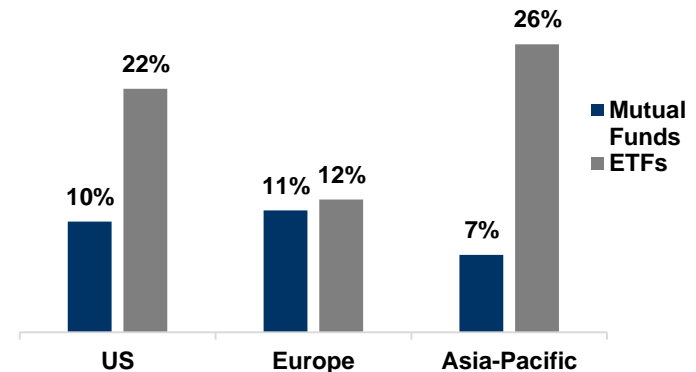
Total AUM 2014 <sup>(1)</sup>

*While ETFs are growing much faster than mutual funds, mutual funds still command a much larger market share than ETFs*



*In 2014, mutual funds accounted for more than 8x the assets under management of ETFs*

AUM Growth Rates

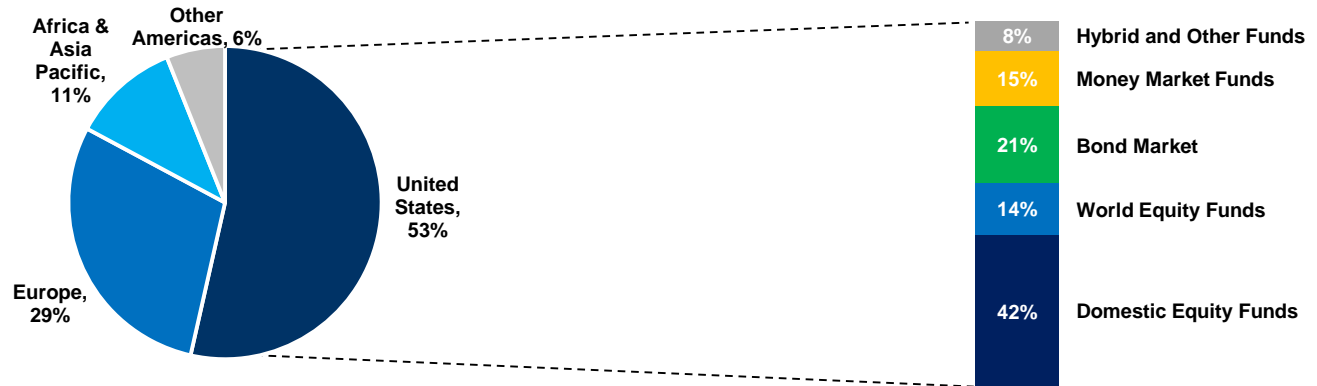




# Digital Wealth Management

## Industry Trends – Asset Landscape (cont.)

### Percentage of Total Net Assets in 2014



Total Worldwide Mutual Fund and ETF Assets:  
**\$33.4 trillion**

Total U.S. Mutual Fund and ETF Assets:  
**\$17.8 trillion**

*While financial assets are concentrated in the hands of high net worth individuals, the “mass market” and “mass affluent” segments still represent a pool of over \$10 trillion*

### U.S. Market Segment Breakdown

	Mass Market	Mass Affluent	High Net Worth Individuals	Ultra-High Net Worth Individuals
Number of Households	103 million	14 million	5.6 million	0.2 million
Financial Assets per Households	<\$0.25 mm	\$0.25 – 1 mm	\$1 – 10 mm	>\$10 mm
Total Financial Assets	\$3.8 tn	\$7.0 tn	\$14.4 tn	\$5.7 tn

Source: ICI, Ernst & Young, McKinsey.



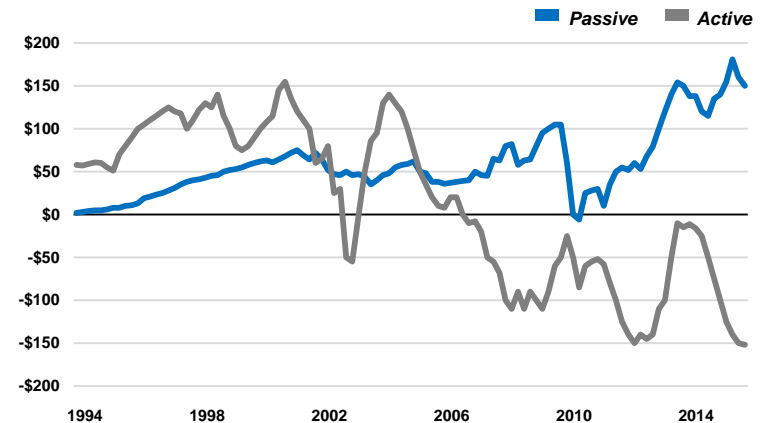
# Digital Wealth Management

## Active vs. Passive Management

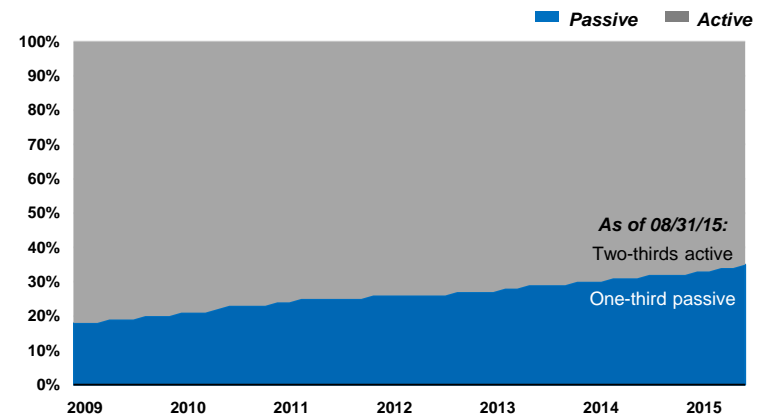
There has been a steady rise in passive investing across both mutual funds and ETFs at the expense of active investing

- Perhaps more profound than the shift towards ETFs has been the overall shift from active to passive investing
- Only 40% of active managers are beating the indices they are measured against <sup>(2)</sup>
- Today, approximately one-third of assets under management are managed passively, up from less than 20% in 2009
- Actively managed equity products (mutual funds and ETFs) have sustained continual net outflows over the past seven years while inflows into passive equity products have been positive over nearly this entire period
- The shift towards robo advisors and other automated investing strategies is likely to only accelerate the trend towards passive investing since robo advisors typically use index-based ETFs as their underlying investment vehicles

U.S. Equity Rolling 12-Month Flows (Open-End and ETF) <sup>(1)</sup>



Active vs. Passive Funds Assets Breakdown <sup>(2)</sup>



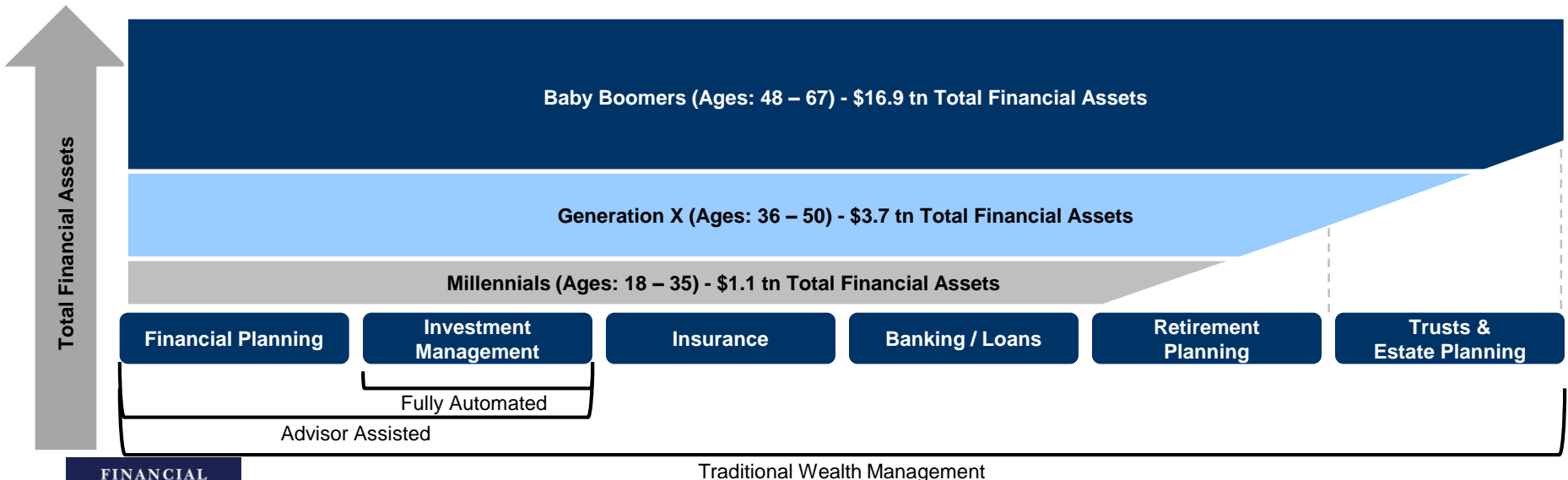


# Digital Wealth Management

## Industry Trends – Wealth Management Services Needed by Demographic

The bulk of financial assets lies with the Baby Boomers, with Millennials set to continue asset accumulation on their own and then eventually Millennials will inherit substantial wealth from their Baby Boomer parents

- The mass affluent segment of the market controls approximately \$7tn in assets, however only 21% of the segment have a financial advisor
- Ernst & Young estimates that the current market share of digital wealth management firms is only 0.01% of the \$30+ tn industry
- The average size of a robo advisor account is between \$20,000 and \$100,000, suggesting that the greatest traction has been achieved amongst the mass market and mass affluent demographics
- McKinsey suggests that in most markets, at least 20% to 30% of the mass affluent and affluent consumers would be open to using a digital wealth management solution with even higher percentages in Northern Europe and Asia where consumers tend to be more open to digital solutions





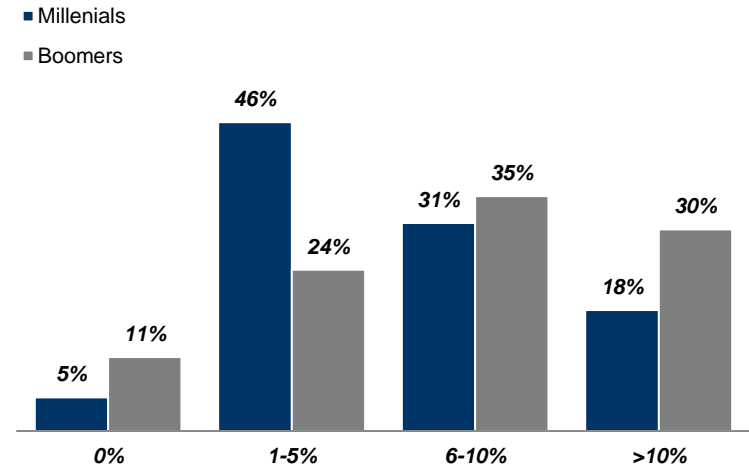
# Digital Wealth Management

## Industry Trends – The Millennial Opportunity

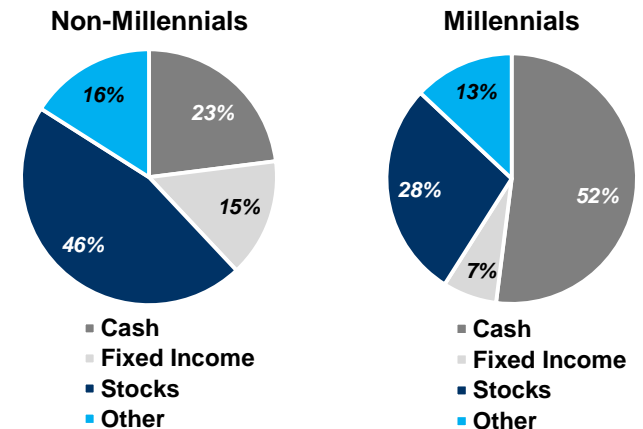
**Millennials are set to inherit substantial wealth from their Baby Boomer parents**

- **The Millennial Market**
  - Robo advisory companies and traditional brokerages / wealth management firms are utilizing new technologies and offerings to target Millennials, a largely untapped source of assets
  - According to Accenture, Millennials are set to inherit approximately \$30 trillion from their Baby Boomer parents and grandparents
  - However, 60% of Millennials say they distrust the financial markets <sup>(1)</sup>
    - In fact, Millennials are saving very small percentages of their income <sup>(4)</sup>
    - Cash is estimated to make up the majority of Millennials' assets while making up less than a quarter of non-Millennials' assets <sup>(2)</sup>
    - This is generally attributed to the Dot-Com Bubble and the Great Recession playing a large role in their childhood and young adulthood <sup>(1)</sup>
- **The result is a huge opportunity for firms to gain market share by appealing to the Millennial generation**
- **Firms are attempting to tackle this market in a multitude of ways:**
  - Online trading fees are the lowest they've ever been, with platforms such as Robinhood even offering free trading
  - Mobile trading platforms, market analysis tools, robo advisors and trading-based social networks are appealing to the Millennials' tech-savvy attitudes
  - Firms like LearnVest are offering a more holistic personal finance system that takes the focus off market risk and places it on financial planning

### Percentage of Income Currently Saving <sup>(4)</sup>



### Selected Asset Allocation <sup>(2)</sup>





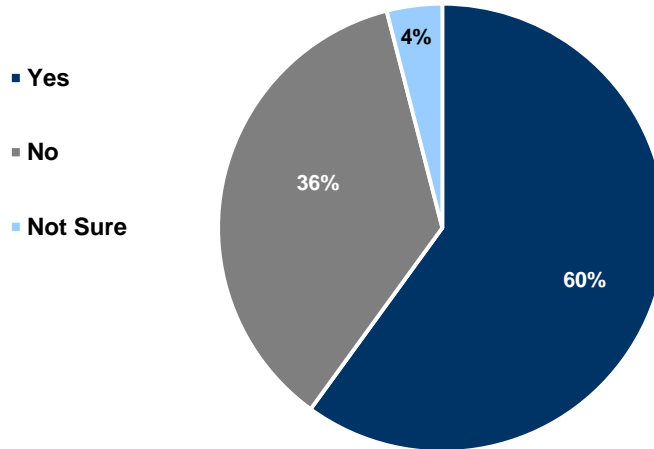


# Digital Wealth Management

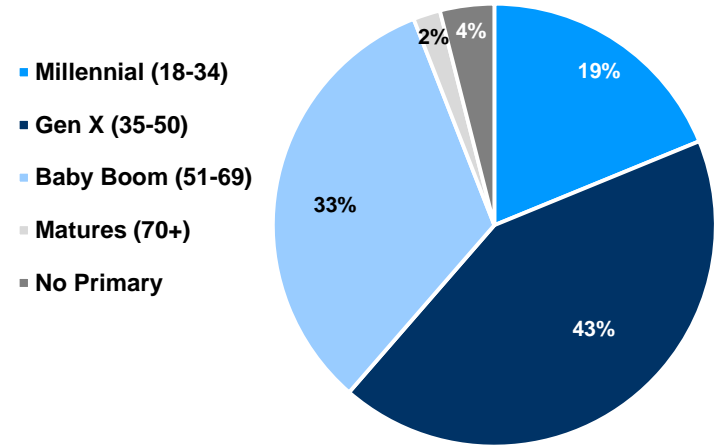
## Industry Trends – The Millennial Opportunity

*While advisors say they are focused on the next generation of investors, marketing to Millennials may still prove to be a challenge*

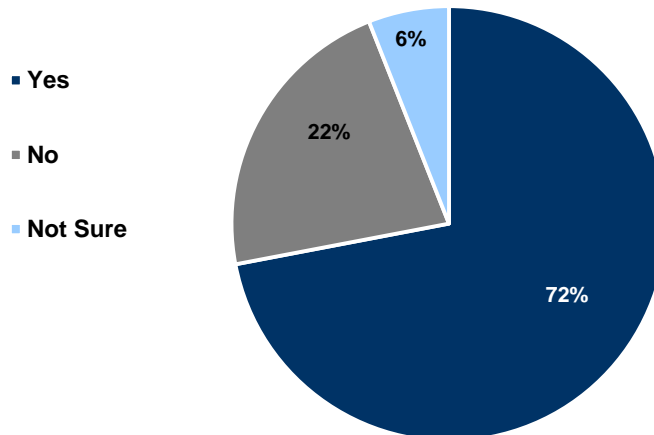
**% Advisors Actively Marketing To Next Generation <sup>(1)</sup>**



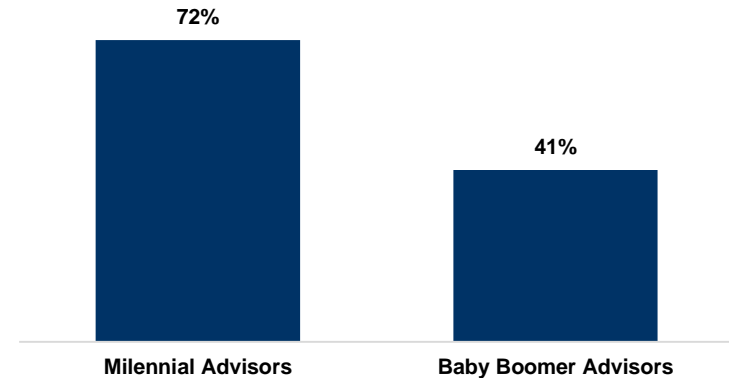
**Generation of Investor that will be Primary Target <sup>(2)</sup>**



**Has A Strategy to Retain Heirs of Current Clients**



**Advisors Actively Marketing to Next Generation <sup>(1)</sup>**



Source: Wealthfront website, Accenture.

(1) Defined as percentage of advisors who have changed marketing strategies to attract the next generation of investors

(2) Defined as generation of investor that will be primary target for new clients in the next twelve months



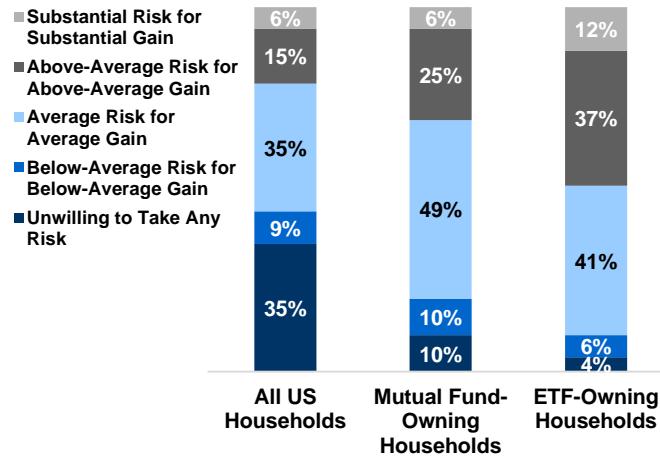


# Digital Wealth Management

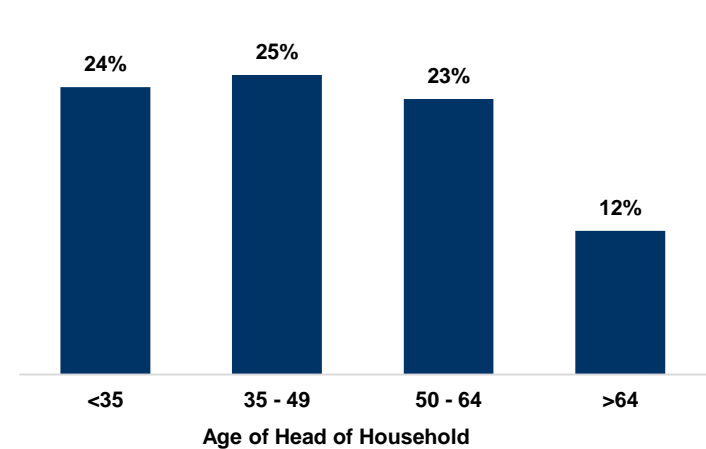
## Industry Trends – Risk Tolerance and Investor Demographic

**Over one third of American households are unwilling to take any risk, but those investing in mutual funds and ETFs are willing to take average risk or more for similar risk-adjusted return**

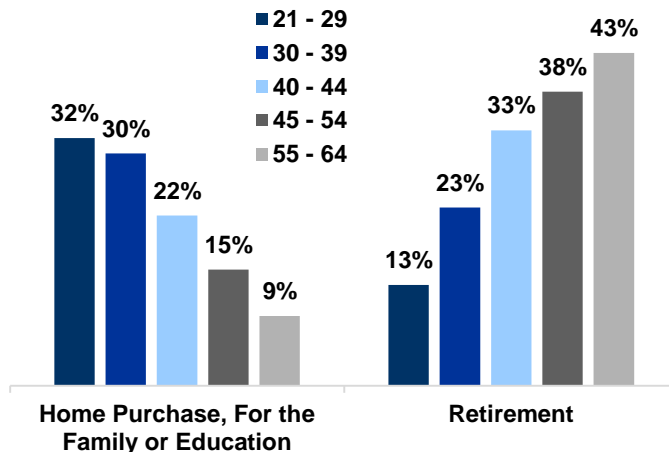
**Level of Investment Risk Willing to Take for Compensated Gain**



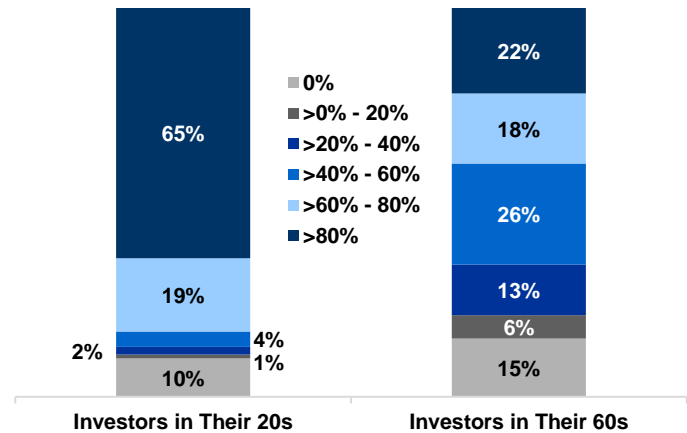
**Willingness to Take Above-Average Risk by Age Group (1)**



**Primary Reason for Household Saving Changes with Age**



**401(k) Plan Participants' Allocations to Equities**



Source: Investment Company Institute 2015 Fact Book

(1): Age is based on the age of the sole or co-decision maker for household saving and investing. This figure measures willingness to take investment risk for equivalent gain – for example, willingness to take above-average or substantial risk for above-average or substantial gain

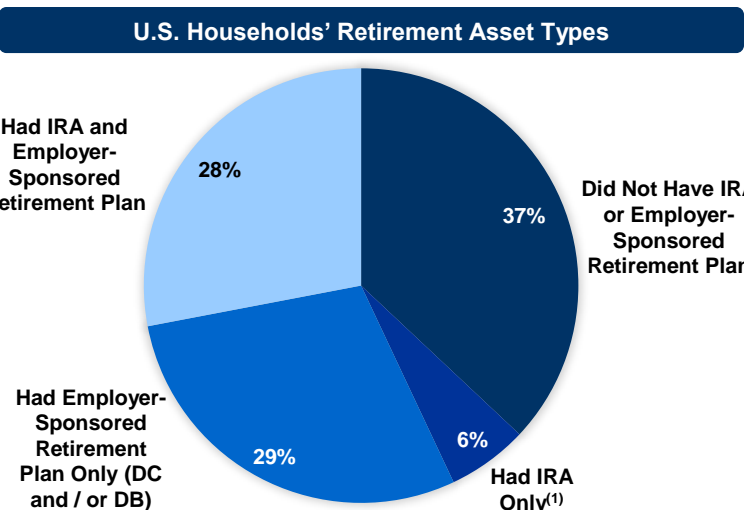
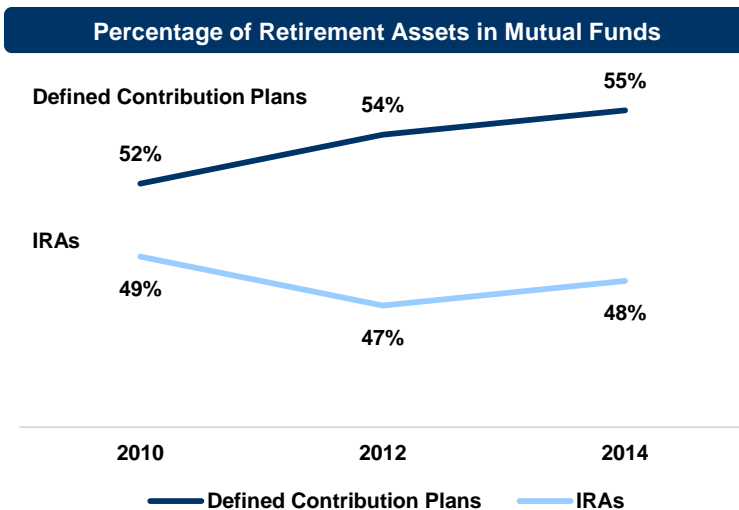
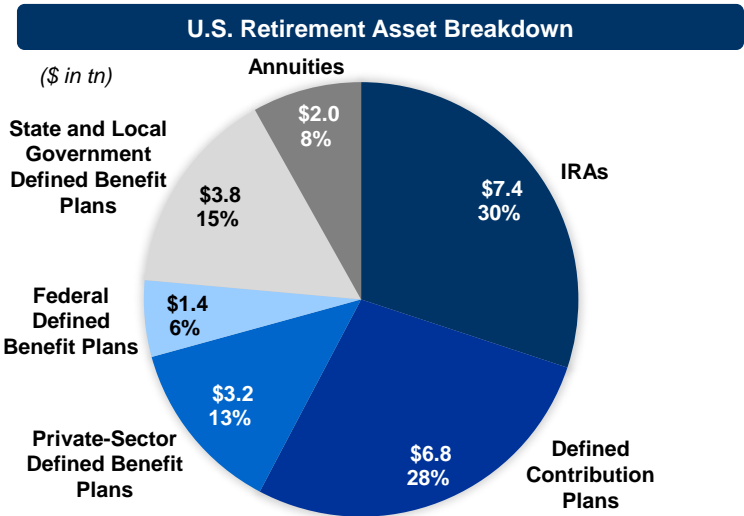
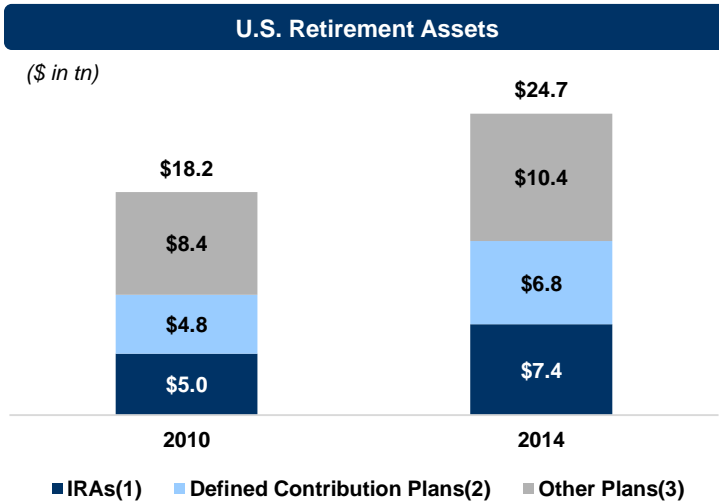
(2): Equities include equity funds, company stock and the equity portion of balanced funds. Funds include mutual funds, bank collective trusts, life insurance separate accounts and any pooled investment product invested primarily in the security indicated. Components do not add to 100% because of rounding.



# Digital Wealth Management

## Industry Trends – Retirement Assets

The base of U.S. retirement assets continues to expand, with assets spread between IRAs, defined contribution plans and defined benefit plans



Source: Investment Company Institute 2015 Fact Book

(1): IRAs include traditional IRAs, Roth IRAs and employer-sponsored IRAs

(2): Defined Contribution plans include 401(k) plans, 457 plans, the Federal Employees Retirement System (FERS) Thrift Savings Plan (TSP), Keoghs and other private-sector DC plans without 401(k) features

(3): Other plans include private-sector Defined Benefit plans; federal, state and local DB plans; and all fixed and variable annuity reserves at life insurance companies less annuities held by IRAs, 403(b) plans, 457 plans and private pension funds



# Digital Wealth Management

## Department of Labor Rule Around Retirement Account Fiduciary Duty

**Broker dealers and financial advisors may turn to technology-based solutions such as automated advice in order to meet requirements of the new DOL rule**



- The Department of Labor (DOL) has a new rule regarding fiduciary duties under the Employee Retirement Income Security Act (ERISA)
- The change expands the scope of responsibilities for retirement asset fiduciaries
- The new rule is designed to eliminate conflicts of interest that include “backdoor payments and hidden fees” that cost Americans “about 1 percentage point – or about \$17 billion per year in total” according to an analysis of White House Council of Economic Advisors
- Registered investment advisors (RIAs) currently follow more stringent standards (fiduciary duties) than financial advisors, brokers, and insurance agents under suitability standards
  - Under suitability standard rules, recommendations must be “roughly suitable” for clients, but are not necessarily the best possible options
  - DOL’s new rule mandates that ALL financial advisors, including brokers and insurance agents, must follow fiduciary standards when working with retirement accounts
- ERISA previously only required fiduciaries of corporate pension to act solely in the interest of plan participants and to be free from any conflicts of interest – the new rule expands this fiduciary duty to all retirement advisors to abide by the same rules

### Background

- ERISA rules only apply to qualified retirement plans
- SEC and FINRA currently regulate advisors of non-retirement related assets; these organizations may revise their fiduciary rules as a result of the new DOL rule
- The final DOL rule was released on April 6, 2016; compliance with the rule will be conducted in stages with full compliance required by January 1, 2018

### Implications

- The new rule expands the scope of fiduciaries under ERISA to also cover 401k and IRA providers
- The DOL’s rule will impact over \$14 trillion of assets in 401k plans and IRAs
- Essentially forces broker dealers to become fiduciaries; creates a focus on ongoing management of assets as opposed to product sales; could result in a substantial shift from commission-based accounts to recurring, fee-based; over time, this could generate more revenue for the industry
- Managing smaller retirement accounts will likely become much more costly and increase liability for broker dealers, advisors and others leading the industry to seek technology-enabled, outsourced solutions to serve small retirement accounts
- Robo advisors and other automated digital wealth management providers could stand to benefit significantly

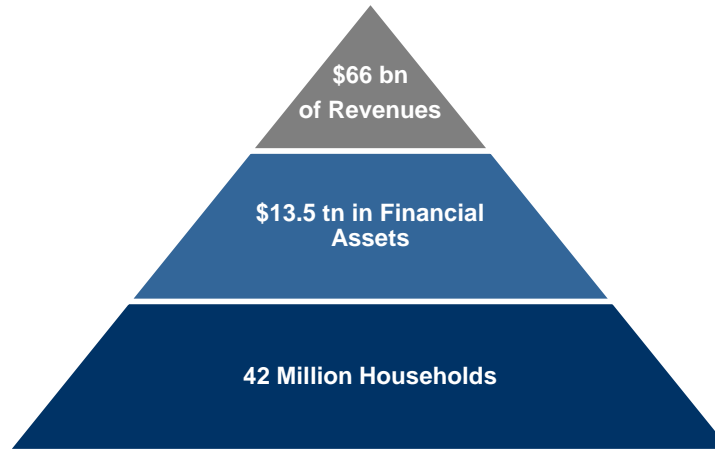


# Digital Wealth Management

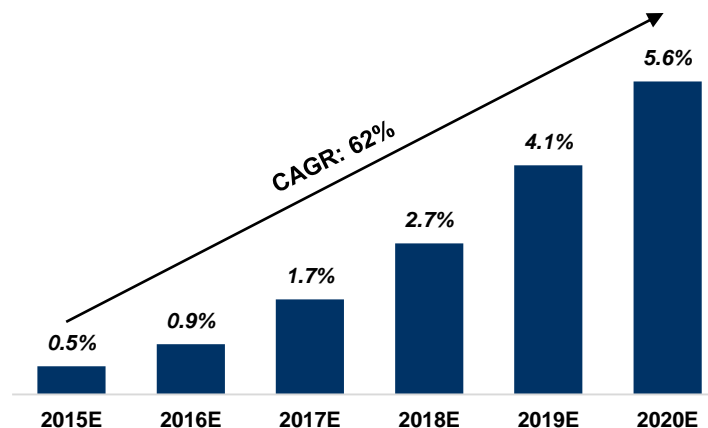
## Industry Trends – Digital Wealth Management Industry Metrics and Projections

Industry research providers agree that robo advisors are set for significant expansion over the coming years, although they differ on the speed and extent of the growth

Global Projected Current Market for Virtual Advice <sup>(1)</sup>

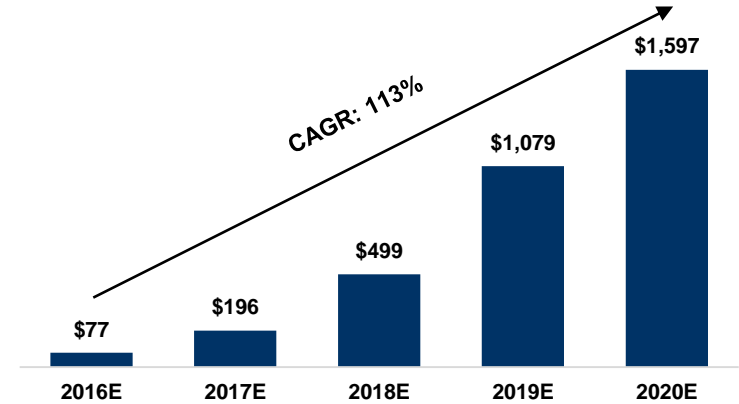


A.T. Kearny Projected Robo Advisor Adoption Rate <sup>(3)</sup>



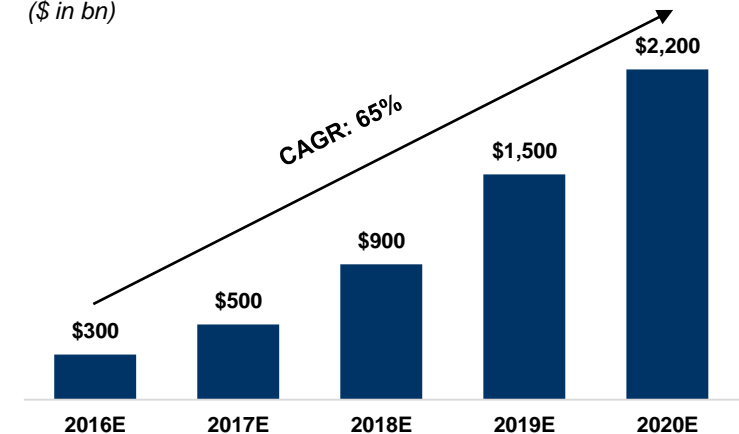
MyPrivateBanking Projected Robo Advisor AUM Growth <sup>(2)</sup>

(\$ in bn)



A.T. Kearny Projected U.S. Robo Advisor AUM Growth <sup>(3)</sup>

(\$ in bn)



Source:

- (1) McKinsey, "robo advisors have a cloudy future but 'virtual advice' delivered by 24-hour super-centers with experts and algorithms will win the day."
- (2) MyPrivateBanking Research.
- (3) A.T. Kearney model, Adoption rate based off % of total investable assets invested in robo advisory services.



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### III. CEO Interviews

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## Jon Stein, Betterment





# Digital Wealth Management

Jon Stein, Betterment



***“You’re starting to see our bigger vision come through with the launch of our RetireGuide, which unlike more basic retirement guides, takes everything in your life into account including where you live, your current savings, your income and tax rate and even your spouse’s holdings.”***

Jon  
Stein

Betterment



Jon Stein is the CEO and Founder of Betterment. Passionate about making life better, and with his experience from his career of advising banks and brokers on risk and products, he founded Betterment in 2008. Prior to creating Betterment, Jon spent his career developing better financial products, platforms and investment strategies for international banks, brokers and other financial institutions. Jon is a graduate of Harvard University and Columbia Business School, and he holds Series 7, 24, 63, and is a CFA charter holder.

## ■ What was the vision behind founding Betterment?

The vision behind the Company is to ultimately automate the process of managing your whole financial life including spending, savings and investing. This includes, for example, taking your entire paycheck and automatically allocating a portion for near-term spending, investing some in a taxable account, investing a certain portion in an IRA or 401k, maybe a Roth account, whichever makes the most sense in the context of a broader view of the consumer. And then each of these accounts should be managed on an automated basis as well. We had to start this vision at someplace so we started with basic wealth management.

You’re starting to see our bigger vision come through with the launch of our RetireGuide, which unlike more basic retirement guides, takes everything in your life into account including where you live, your current savings, your income and tax rate and even your spouse’s holdings. RetireGuide refreshes daily based on your account balances in order to provide you with more accurate personal advice.

## ■ What are the problems you see with the traditional wealth management industry?

For a wide swatch of consumers, there historically has not been anything that services them well. If you have enough assets, clearly you have access to great advisors, but for lots of people, it’s nothing or a robo advisor. It’s not human vs. robo. People want advice and for those that don’t have the assets, a robo advisor like Betterment becomes their trusted fiduciary; we provide them with very cost effective access to advice and features such as tax loss harvesting.

We also continue to see many conflicts of interest in the industry including pushing your own products and not being fully transparent. Also, brokerage firms may be incentivized to drive bad behavior such as excessive trading activity and operating without considering the tax consequences of transactions. These are all problems that we are solving at Betterment.



# Digital Wealth Management

## Jon Stein, Betterment (cont.)



***“We actually built our own broker dealer from scratch. This is a key differentiator between us and others in the industry. Most other robo advisors have built a front-end that sits on top of a third party broker dealer on the back-end.”***

- **Describe the process from beginning to end for a consumer to have a custom portfolio built by Betterment. What is your philosophy around what types of underlying investment vehicles you use to build portfolios?**

It all starts with collecting your standard regulatory KYC information including salary, net worth, social security number, etc. Then we determine your financial goals and time horizon. We also conduct risk surveys to better understand a person's tolerance. We show risk scenarios in real dollars, not percentages, which can be eye opening for people, but we think this is a more effective way of showing what could go wrong in a portfolio. Based on these inputs, we recommend a portfolio of stock and bond ETFs. I'd note that we do not have any financial relationship with the manufacturers of the ETFs that we use. We also have primary, secondary and tertiary ETFs available for tax loss harvesting and avoiding wash sales.

- **What has Betterment needed to build from a technology / processing perspective in order to scale efficiently? In other words, what have you been able to use off-the-shelf vs. build in-house?**

We actually built our own broker dealer from scratch. This is a key differentiator between us and others in the industry. Most other robo advisors have built a front-end that sits on top of a third party broker dealer on the back-end. By having our own broker dealer, we are also our own custodian. Building everything was capital intensive, but it brings efficiencies and improves the customer experience. It took two years to build this including the trading systems, onboarding processes, etc. If we only built a front-end like everyone else, we could have launched in half of the time it took us.

As far as the advantages we have with our own broker dealer, customers can do a very quick signup by opening up the advisory and brokerage account all at once; there is no second onboarding with a broker dealer. Our customers can fund their accounts overnight rather than taking 4 to 5 days. We are also better able to track individual lots and provide the best tax optimization. Our unit economics also benefit because we don't have to pay a third party broker dealer every time someone opens an account. This can cost upwards of \$50 per account. Our total internal costs are less than \$1 per account.

Another benefit is that we are able to enter new business lines seamlessly. We launched Betterment Institutional and advisors love our seamless onboarding process. In the 401k space, we are able to control the entire process since we are the record keeper, the front-end and the back-end. Smaller companies are often paying multiple providers whereas as Betterment is the only institutional you are dealing with for your 401k.



# Digital Wealth Management

## Jon Stein, Betterment (cont.)



### ■ How do you balance any competitive tensions both serving consumers directly and providing a platform for other financial institutions like Fidelity?

We really don't see any competitive tensions; we're agnostic as to where the consumer goes. We're happy to bring consumers onboard directly, but we also see the value that advisors bring, particularly in helping make decisions among a complicated financial profile. Betterment's software brings great benefits to the general consumer, regardless of whether or not they use Betterment through the platform or through an advisor. Our tools enable advisors to gain efficiencies in their own practices. We can help them automate components of their services, which may have been super manual in the past – tax loss harvesting is a great example of this. We can also help advisors to have more time to focus on actually interacting with their clients and to potentially use our tools to enable a segmentation strategy. Betterment can help advisors extend their reach and serve more clients without adding substantial workloads.

### ■ What consumer segments are you specifically targeting?

Core clients that we are targeting are people who want to have their financial lives managed online. Obviously, Millennials are going to be a big part of this, but Betterment is ultimately targeting all demographics. A fact that may be somewhat surprising to outsiders, 30% of our customers are people 50+ years of age and we are seeing huge growth here. Given this expanding segment, we continue to build out more robust retirement-specific services.

### ■ Do you plan on adding more human advisors over time?

We view ourselves as a technology company and don't envision a time when we would build out a call center with a large staff of human advisors. We have the institutional business for advisors. We do offer individual consultations once a year for clients with \$500k and above with us to be sure that we are properly in touch regarding their full financial picture to avoid things like wash sales, but this is a small segment of our customer base. On staff, we have numerous professionals, CFAs and finance people doing the modeling, portfolio construction and stuff, but no true human advisors.

### ■ What marketing channels are proving most effective for your business?

We get about 30% of our business from referrals – friends and family encouraging others to sign up, which is pretty incredible. We do some television advertising, which has been successful. We do a fair amount of digital marketing including social media and SEO. We also benefit from our general PR outreach and blog.



# Digital Wealth Management

## Jon Stein, Betterment (cont.)



### ■ **What new capabilities / functionality will you be adding in the future?**

The theme for the Betterment roadmap is focused on advice. RetireGuide is our first big foray into this area. We will also be adding more tools around aggregation and showing a holistic financial picture. The more assets we have linked up, the better advice we can provide. We will be building out a tax impact preview, which shows the tax implications before people do anything. We want to do some more things around goal recommendations – what else you should be saving for and how to achieve your goals. The institutional platform is a big focus this year – we are building the best in class advisor experience to mirror what we have done on the consumer side.

### ■ **How has the recent market downturn impacted your business? How are customers reacting?**

Consumer inquiries have gone up, but January was a record month for inflows. People thought we would get hammered in a downturn, but this just has not happened. We have not seen an impact on the trajectory of our business. Obviously assets are impacted by negative equity returns, but our business continues to growing strongly.

### ■ **Are there any pending regulatory issues that give you concern or you think will create new opportunities?**

Three topics come to mind. First, we think we are well positioned around the Department of Labor rules around fiduciary duty – these are zero things that we will have to change. Second, we have been vocal supporters of a retirement act making electronic statements the default rather than paper. And third, a key issue that we think will emerge is around who owns consumer data. We think consumers should be able to do whatever they want with their data, but we've seen some big financial institutions pulling third party access to consumer data, even if consumers have provided authorization to pull the data. We remain active in D.C around this topic. Again, we think consumers be able to do what they like with their data and we are seeing lots of agreement.

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## Anton Honikman, MyVest



# Digital Wealth Management

## Anton Honikman, MyVest

MyVest

*“MyVest is unique for our ability to automate the end-to-end delivery of personalized portfolios at scale — portfolios that are holistic in covering all members and accounts of a household, employing tax-aware rebalancing, and are personalized reflecting the unique circumstances of each client.”*

Anton  
Honikman  
MyVest



Anton is the CEO of MyVest. He brings almost 20-years experience leading cross-functional teams in investment management and financial technology to MyVest. Most recently, Anton served as President (US) of Ada Investment Management, a boutique alternative investment manager. Prior to Ada, Anton spent 5-years at Barclays Global Investors (BGI), the large, quantitatively oriented investment manager acquired by BlackRock in 2009. He earned a Bachelor of Business Science with honors in financial economics and applied statistics from the University of Cape Town, South Africa.

■ **MyVest has been around for a number of years – can you describe the history of the company and why it is hitting its stride now.**

MyVest’s founding vision was to make the best practices in wealth management, usually available to only the wealthiest investors, available to all investors and their advisors through technology.

These best practices center around a holistic, client-centric approach to managing wealth: treating the household as a whole, optimizing portfolio(s) for both taxes and risk, coordinated across multiple household members, accounts and tax registrations.

As a result of a combination of customer demand, competitive pressures, the rise of digital technology and regulatory change, our industry’s focus is shifting from investment products to client outcomes. Much attention is being paid to modern trends like Goal-Based Planning, Account Aggregation and Tax Management. This all bodes well for firms like MyVest that are grounded in support for holistic wealth management.

■ **How is MyVest different from other B2B digital wealth management providers? What are the full breadth of services you offer?**

MyVest is unique for our ability to automate the end-to-end delivery of personalized portfolios at scale — portfolios that are holistic in covering all members and accounts of a household, employing tax-aware rebalancing, and are personalized reflecting the unique circumstances of each client. Key differentiators include:

1. Household Framework: The root of our differentiation lies in our household framework – supporting a coordinated management of wealth across household members, accounts, tax registrations and goals in a single system. This native support for the Unified Managed Household (UMH) is unique to MyVest. It allows for sophisticated Asset Location, Wash Sale management across the household, and Risk/Drift management across the household.



# Digital Wealth Management

## Anton Honikman, MyVest (cont.)



2. Personalization: The combination of Multi-asset class coverage plus our personalization engine allows for scaled delivery of more custom portfolios than most B2B digital wealth management providers. Our system can support pooled products (ETFs and mutual funds) as well as single securities (equities and fixed income) allowing for flexibility in portfolio construction and tax management. We are able to take into account client-specific tax circumstances, legacy holdings substitutions, etc. allowing for differentiated portfolios to be managed by the system at scale.
3. Sophistication Allows for Multiple Operating Models: Our system can support the sophisticated needs of a HNW offering, while at the same time supporting the simpler needs of an ETF-wrap solution for a retail audience, and multiple flavors in between. This allows a sponsor to adopt a single system with centralized governance and data management for multiple wealth programs on their platform simultaneously. It allows investors to graduate from one program to another without data migration.
4. Proven Scale: Most B2B wealth management providers are recent startups without the tradition of serving large financial enterprises. MyVest has always been an enterprise solution that has been subject to the rigors of enterprise scale.

### ■ How do you see robo advisor technology impacting the wealth management industry and how is MyVest going to capitalize on this?

Robo advisor technology has promoted the virtues of low fees, an attractive, easy-to-use user experience, paperless workflow, commoditized portfolio management and transparency; however, they generally lack personalization, enterprise scale, and sophistication.

While I believe that pure B2C robos will continue to be a viable but niche segment, they have caused the traditional wealth management industry to take note, and most are now evaluating a digital roadmap in response.

### ■ What are the problems you see with the traditional wealth management industry? What are current vendors to this market lacking?

Despite shifting sands, many advisors are still product-centric, focused on chasing performance instead of outcomes that reflect the unique circumstances, goals, and values of their clients.

Inertia is also at play. Many know that change is necessary, yet a combination of legacy technology and inappropriate corporate incentives have slowed down the pace of change in most traditional wealth management firms.

These challenges are exacerbated by the fact that most enterprise technologies are geared toward the orthodoxy: they promote, for example, benchmark-relative performance and the sanctity of manager sleeves. To satisfy the highest fiduciary standards, investments solutions should instead be personalized and tax managed at the household level, which very few systems are geared to provide.



# Digital Wealth Management

## Anton Honikman, MyVest (cont.)

**MyVest**

***“The days of simply picking products based on performance, narrowly focusing on individual accounts, and periodically presenting static reports, are in terminal decline. We can’t ignore that demographic shifts are radically altering the landscape, regulators are elevating fiduciary standards, and digital technology is steadily encroaching.”***

■ **What are the key challenges / needs facing RIAs and other wealth advisors today? How will the role of the human financial advisor change over time?**

I don’t think it’s an exaggeration to say that traditional wealth management is under fire. The days of simply picking products based on performance, narrowly focusing on individual accounts, and periodically presenting static reports, are in terminal decline. We can’t ignore that demographic shifts are radically altering the landscape, regulators are elevating fiduciary standards, and digital technology is steadily encroaching.

Human advisors, more specifically the ones that survive by adapting to the new world order, are going to be more about offering advice and less about offering a product. Investment management is becoming commoditized, but a true advisor steps in for financial planning and guidance involving changing life circumstances, determining how a solution can be personalized to the specific needs of their client, over time.

■ **How will traditional wealth advisors respond to the robo advisors taking market share? Have any of the recent acquisitions in the space surprised you?**

Some high profile acquisitions have happened, but in the grand scheme of things there have been very few. Most traditional firms are still trying to figure out how to adapt, formulating digital roadmaps as we speak. There will be more acquisitions, but in general there will be a heightened investment in enabling technology, a shedding of expensive investment product, probably hiring of more CFPs at the expense of CFAs, and an increase in fee transparency.

■ **What segments of the market are you specifically targeting?**

We’re targeting enterprise platforms — broker dealers, bank wealth management departments, etc. We target independent advisors through the platforms that currently service them (TAMPs, custodians, etc).

■ **What new capabilities / functionality will you be adding in the future?**

Our focus is on continued investment in the ‘new way’ of delivering wealth management. Central to that is enhancing digital tools for the advisor, extending our leadership in tax management, and further refining our goal-based investment management framework.







# Digital Wealth Management

## Anton Honikman, MyVest (cont.)



■ **What marketing channels are proving most effective for your business?**

Since we are focused on the enterprise space, an effective avenue for us is connecting with key industry influencers, from consultants to journalists to research firms.

■ **Are there any pending regulatory issues across the industry that give you concern or you think will create new opportunities?**

Absolutely. The DOL's revised fiduciary rule creates a huge opportunity for firms to align their advice with what's best for the client. Our technology is geared to just that. It allows firms to enable holistic, client-centric wealth management across the entire enterprise in a single, unified system.

■ **What is the long-term vision for MyVest? What will the company look like in 5-10 years from now?**

The long-term vision for MyVest is to be the partner to leading enterprise financial institutions for the implementation of digital goal-based wealth management. We are identifying and partnering with thought leaders who want a deep enterprise partnership, who want to impact a movement towards client-centric wealth management in a digital age, which we see playing out in the next 5-10 years.

■ **Are there other areas of the wealth management that you think are ripe for innovation?**

I think all areas of wealth management are ripe for innovation, ranging from lead generation & marketing to client profiling and reporting. I think innovation in financial planning is particularly crucial, to make advice truly goal-based, dynamic, and for the entire financial life of the customer.



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## Justin Balogh, Link Pacific Advisors



# Digital Wealth Management

## Justin Balogh, Link Pacific Advisors

**LINK PACIFIC**  
ADVISORS

***“Over the past 12 months, Asian institutions have watched the rapid expansion of leading FinTech companies very closely and are eager to gain access to ideas and opportunities. Conversely, many firms outside of Asia have high-potential products, but are less familiar with some of the entry points into Asian markets.”***

**Justin  
Balogh**

*Link Pacific  
Advisors*



Prior to founding Link Pacific Advisors, Justin Balogh was a Senior Managing Director at State Street in Asia Pacific. Working in the region over an 18-year period, he managed State Street’s regional securities business in trading and research with leading clients in segments such as Sovereign Wealth, Central Bank, Pension, Securities and Asset Management. During this time he also held positions with overall responsibility of State Street’s wider Bank and Securities activities in Japan and Singapore.

■ **Please describe your background and the vision behind Link Pacific Advisors.**

Link Pacific Advisors was founded in 2015 to bring together high quality FinTech companies outside the region with clients and strategic partners in Asia Pacific. Over the past 12 months, Asian institutions have watched the rapid expansion of leading FinTech companies very closely and are eager to gain access to ideas and opportunities. Conversely, many firms outside of Asia have high-potential products, but are less familiar with some of the entry points into Asian markets. We are currently supporting the entry of several innovative FinTech ideas into the region, mostly from the United States. Prior to founding Link Pacific Advisors I was with State Street’s Global Markets division in the Asia Pacific region out of Tokyo, Singapore and Sydney.

■ **How is the Asian wealth management market different from the U.S.?**

Asia is a diverse collection of jurisdictions and investment cultures where investment styles, sophistication and service models can vary greatly by market. Perhaps even more so than the United States, clients tend to congregate around established, larger brands and the market share of smaller investment advisors or wealth management boutiques is comparatively not as large. Demographics vary considerably across the region. Some markets face the challenge of preparing infrastructure, products and education to support a rapidly growing and investing middle class. Others face an acute challenge of how to acquire the next generation of clients when most of the wealth resides with retirees. Collectively, Asia’s wealth management opportunity will continue to be the most rapid growing of anywhere in the world. That creates considerable opportunities for quality ideas to develop into growing businesses in the years ahead.



# Digital Wealth Management

## Justin Balogh, Link Pacific Advisors (cont.)

**LINK PACIFIC**  
ADVISORS

- **Where do you see the biggest opportunity for robo advisor technology in Asia (i.e going direct, partnering with large financial institutions, etc.)?**

I think it is very likely that partnering with large financial institutions will dominate the way forward for robo advisor technology. It's true for financial services in almost any location that going direct, brand building and client acquisition from scratch can be difficult to achieve in a short period of time. The combination of robo technology with established brands and more importantly, established client bases, will define how widely these platforms are used. We are already seeing examples where early Robo advisors operating in Asia are increasingly keen to explore collaborations with established financial institutions rather than focus rely solely on independently growing a client base.

- **How do you expect the traditional financial institutions to respond as robo advisors gain market share? Have any of the recent acquisitions (FutureAdvisor, Jemstep, etc.) surprised you?**

There is a lot of precedent in financial services where product evolution that competes with the status quo has forced traditional players to either participate in the process or risk being left out. As an example, a number of the early stakeholders of electronic trading platforms were the same firms that had historically held higher spread, traditional business models. Very similar to observations in the U.S, traditional financial institutions in Asia are paying close attention to the development of these platforms. Some have been early round investors in robo advisor start-ups, others have launched their own offerings or are actively seeking to catch up on the applicability to their own business models. Some level of participation will be important. Not every motivation is defensive though. In the U.S., some leading firms are participating more because they see growth potential of complimentary business expansion. In that context also, the recent acquisitions of FutureAdvisor and Jemstep by established brands is not surprising at all.

- **Have any pure-play robo advisors gained significant traction in Asia?**

It is still early but it would seem that client acquisition and as a result, return on investment for those that have funded independent robo advisors, will be slower going in Asia unless they are willing to partner or are seeking to be acquired. There is considerable potential for growth but general awareness amongst retail investors in Asia about robo advisors is still comparatively lower than the U.S. Many early examples in Asia have pursued models that focus primarily on ETFs to underpin the investment portfolios. While consistent with the low-cost philosophy tied to robo advisors, some Asian markets are still surprisingly under developed in the retail adoption and understanding of ETF investing. The ability to include low-cost fund structures or wrap accounts for underlying investment portfolios will also be important to ensure necessary flexibility.



# Digital Wealth Management

## Justin Balogh, Link Pacific Advisors (cont.)

**LINK PACIFIC**  
ADVISORS

### ■ Who do you think has the right model in the U.S.?

I think it's difficult to pick one right model. There are quite a few compelling approaches to this space in the U.S. that offer different options for investment experience, and product types, which makes sense given the variety of client profiles. It is hard for providers to differentiate around simple, low-cost asset allocation but I think those that offer much more than this will ultimately lead client acquisition. Clients will gain confidence, and as they do will want a more interactive experience and access to a wider range of investment products through robo advisors.

### ■ Are there other areas of the wealth management that you think are ripe for innovation?

There has been some progress in this but I think there is an opportunity to further innovate around an integrated digital expansion coming from wealth management into broader financial services management. By that I mean the development of a singular digital contact point for the investor for all things that touch their financial experience. For example, a digital wealth manager for the investment portfolio, a household budgeting tool for management of day to day finances, a digital insurance broker, access to finance, banking, payments etc. That does not mean that only a single financial services entity faces the client but perhaps a single digital window through which all of those services are pulled together. Wealth management should be an experience that is integrated with wider financial decision making.

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## Rob Foregger, NextCapital



# Digital Wealth Management

## Rob Foregger, NextCapital

nextcapital

*“While a handful of B2C digital advice players can thrive as stand-alone entities, we believe the large industry incumbents are going to win the digital advice opportunity.”*

Rob  
Foregger  
NextCapital



Rob Foregger is the Co-Founder and Executive Vice President of NextCapital. Prior to co-founding NextCapital, he co-founded Personal Capital, served as the President of Fidelity Investments Personal Trust Company and SVP of Banking Services. Rob co-founded and served as COO of EverBank.com, one of the nation's leading online banks. Rob received a degree in business administration from the University of Vermont.

### ■ What was the vision behind founding NextCapital?

Our founding team has a simple vision, that all Americans deserve access to personalized, objective and world-class advice.

Over the past two decades, the retail financial services industry has gone through profound digital transformations; the shift from traditional to online banking, the shift from traditional to online brokerage, and now, the shift from traditional to digital advice.

While a handful of B2C digital advice players can thrive as stand-alone entities, we believe the large industry incumbents are going to win the digital advice opportunity. The real disruption opportunity is for NextCapital to empower leading financial institutions to bring to market a differentiated digital advice solution via their trusted brands—both inside and outside the 401k plan.

### ■ What are the problems you see with the traditional wealth management industry? What are current vendors to this market lacking?

There are several challenges facing the traditional asset management and wealth management industry.

- First, only a small portion of the U.S. population has access to low-cost, personalized advice.
- Second, much of the industry has over-invested in back-office, and under invested in middle-office and the end-user experience needed to modernize the advice experience.
- Third, the investment management industry, as a whole, is still too focused on selling manufactured product, rather than scalable advice solutions.
- Lastly, the industry is not prepared for the seismic change that the pending new Department of Labor (DoL) Fiduciary Rule is going to have on business as usual in the \$14 trillion retirement marketplace.

As it relates to vendors, there are several very good vendors in the marketplace. The three largest vendor gaps we see are a lack of: (i) fully integrated planning, advice and managed accounts solutions, (ii) solutions that span defined contribution and retail, and (iii) open architecture advice engine, allowing FI's to utilize their investment methodology inside of a vendor platform.



# Digital Wealth Management

## Rob Foregger, NextCapital (cont.)

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***“The human advisor is not going to go the way of the dodo, so long as traditional firms rapidly and fully adopt a digital advice experience into their practice—for all clients.”***

- **What are the key challenges / needs facing RIAs and other wealth advisors today? How will the role of the human financial advisor change over time?**

There has been a rather exhausting debate raging for much of the past eighteen months; who will win, the human advisor or the machine? We think this is a false choice and an unproductive debate for the industry to partake in.

Over the long-term, the human-computer partnership should allow the traditional advisor to; provide a modern advice experience, provide more personalization harnessing big-data, provide access to more clients, manage a more efficient practice, and rationally support small-balance clients—which is important to manage a strong “farm team” prospect pipeline.

Specifically, the human advisor is not going to go the way of the dodo, so long as traditional firms rapidly and fully adopt a digital advice experience into their practice—for all clients. Saying your high net worth clients don’t want a digital advice experience, is like saying your HNW clients don’t want an iPhone.

- **How is NextCapital different from other digital wealth management providers? What are the full breadth of services you offer?**

While there are several great companies doing digital advice in some form or another, we have several distinguishing factors:

- Enterprise Approach: First and foremost, NextCapital is laser-focused on Enterprise Digital Advice, meaning we enable Fortune Fifty partners to deliver digital advice solutions across multiple strategic delivery channels.
- 401(k) + Retail: NextCapital is one of the only digital advice providers that can provide holistic planning, advice, and portfolio management both inside the 401(k) and out.
- Full Partner Configuration: NextCapital enables institutional partners to rapidly and cost-effectively bring to market a full-stack digital advice solution that is specifically built to support the demanding configuration requirements of large institutions. Features include:
  - Custom user experience
  - Proprietary or third party investment methodology
  - Self-service and advisor-assisted service models
  - Multi-channel - supporting 401(k), IRA, and retail brokerage accounts
  - Integrations with 401(k) record keeping systems and retail custodians





# Digital Wealth Management

## Rob Foregger, NextCapital (cont.)

nextcapital

### ■ What segments of the market are you specifically targeting?

As aforementioned, we are partnering with very large financial institutions, that often want a digital advice solution that can provide planning and managed accounts in the defined contribution, IRA rollover, and retirement income marketplace.

### ■ How will traditional wealth advisors respond to robo advisors taking market share? Have any of the recent acquisitions in the space surprised you?

The robust M&A activity in the digital advice space in 2015 was not surprising, and will continue in 2016.

The large traditional FinTech firms such as Morningstar and Envestnet have been acquisitive in the past twelve months, in an aggressive attempt to fill-out material product gaps in the middle office and front-office; including data aggregation, financial planning, and advisor experience software.

Additionally, recognizing there are few standalone digital advice platforms in the marketplace relative to the market demand, financial institutions have also been active in the M&A market, including Learnvest / Northwestern Mutual, FutureAdvisor / BlackRock, and JemStep / Invesco.

### ■ What new capabilities / functionality will you be adding in the future?

We believe that NextCapital is the leader in enterprise digital advice spanning defined contribution and retail.

We have however, an ambitious product roadmap for 2016/2017. Key areas of focus include continuing to enhance the configurability of our platform, new advice capabilities, integrating to new retail custodians and 401(k) record keeping systems, and advisor experience enhancements.

### ■ What marketing channels are proving most effective for your business?

Digital Advice has become a strategic priority for most of the leading financial institutions, and decisions are being driven by c-suite executives. Most of our business comes from referrals and relationships with senior financial services executives.



# Digital Wealth Management

## Rob Foregger, NextCapital (cont.)

nextcapital

***“The pending new DoL Fiduciary Standard is perhaps the biggest financial regulatory change since the repeal of Glass-Steagall.”***

### ■ Are there any pending regulatory issues that give you concern or you think will create new opportunities?

The pending new DoL Fiduciary Standard is perhaps the biggest financial regulatory change since the repeal of Glass-Steagall.

The industry needs to now shift from debate to action-- technology and scalable personal advice will be key to actualizing lower costs and better outcomes for the \$14 trillion U.S. retirement marketplace.

Over the past few decades, the retirement industry has shifted from the defined benefit pension, a guaranteed employee benefit, to the defined contribution system, a largely do-it-yourself vehicle for retirement savers. The pending new Fiduciary Rule is ushering in a new era that we call Retirement 2.0, which will shift the retirement market from a largely DIY model to a technology-driven delegated fiduciary advice model.

NextCapital's enterprise digital advice offering, with the ability to span the DC and IRA market, is seeing significant market demand based on this pending regulatory change.

### ■ What is the long-term vision for NextCapital? What will the company look like in 5-10 years from now?

From a long-term company perspective, NextCapital is focused on being the leader in enterprise digital advice—powering the leading investment management brands.

From a long-term platform perspective, perhaps we have the potential to become the “Salesforce of digital advice”, delivering advice across a broad-scope of client financial needs in a highly-configurable platform.

### ■ Are there other areas of the wealth management that you think are ripe for innovation?

Yes, while Bitcoin has been overhyped, the potential impact of the Blockchain on the wealth management industry has not. We think that the Blockchain can have a profound impact on product innovation, data management, information exchange, money movement, trading and front / back-office automation.

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**Nick Hungerford, Nutmeg**



# Digital Wealth Management

## Nick Hungerford, Nutmeg

**nutmeg**

*“Nutmeg is designed to work for everybody, be they super wealthy or simple savers, and from experienced investors to newcomers. Our typical customer is urban, technologically capable, appreciates high-quality products, and is time poor.”*

**Nick  
Hungerford**

*Nutmeg*



Nick Hungerford is the former CEO of Nutmeg. Following a business degree at Exeter University, Nick worked at Barclays in the areas of product, banking and wealth management. Nick was a Divisional Director at Brewin Dolphin and has an MBA from Stanford University in the United States. Nick's industry and investment views are respected globally and he frequently appears on Bloomberg, CNBC and BBC and has been quoted in the Financial Times, Wall Street Journal and many international publications.

### ■ What was the vision behind founding Nutmeg? Where did the name come from?

We started Nutmeg because of frustration in the exclusivity and lack of transparency in the investment world — and the financial crisis had shown that we were not the only ones.

Three years on, we have built the UK's first online discretionary investment management company. We are regulated by the FCA, endorsed by the UK Government and — most importantly — supported by our many enthusiastic and loyal users.

Nutmeg is free from all of the aspects that made the wealth management industry unpopular. We don't charge a premium for the illusion of a personal relationship. We don't use confusing benchmarks that bear no resemblance to the reality of asset allocation. We don't use technical jargon. We don't lump all your money together in one pot, we let you save for the individual goals you have. We don't charge high fees to pay for our huge sales force. We don't hit you with sneaky charges. We don't keep you in the dark over where you're invested — or how your funds are performing.

Instead, we provide complete transparency — and, we hope, complete peace of mind. We can help set up a portfolio in less than 10 minutes. And you can top up, transfer or withdraw money whenever you like. We constantly manage your portfolio, selecting from a diverse, global range of assets. And you can get in touch with us by telephone, email or live webchat, so it's a higher, more immediate level of service.

As for the name: the spice nutmeg used to be rare and expensive, only available to the few — just like wealth management. Now, just like wealth management (thanks to Nutmeg), nutmeg is available to everybody.

### ■ What types of consumers are you specifically targeting?

Nutmeg is designed to work for everybody, be they super wealthy or simple savers, and from experienced investors to newcomers. Our typical customer is urban, technologically capable, appreciates high-quality products, and is time poor.



# Digital Wealth Management

## Nick Hungerford, Nutmeg (cont.)

nutmeg

- **Describe the process from beginning to end for a consumer to have a custom built portfolio by Nutmeg. What is your philosophy around what types of underlying investment vehicles you use to build portfolios?**

Key features of the platform are: interactivity, allowing the customer to explore the impact of choices relating to risk, time horizons and investment contributions on future expected returns; simplicity, using graphics and clearly-presented data to help customers understand risk and fees; brevity – you can complete the process in less than fifteen minutes.

It's best to try out the platform, or you can reference this newspaper [review](#).

- **How do you accurately determine a consumer's risk tolerance?**

When we first built the platform, we quickly realized that simply asking customers what their risk tolerance is at a given point in time does not yield useful answers: in that case, the overwhelming majority of people describe their tolerance as average. So we have designed and implemented a dual approach of taking risk: what is the personal risk tolerance of the customer, and what is the specific goal risk tolerance they have for each goal? We use a carefully-built methodology to understand how customers view their money, how they would respond to losses, and when they want to be able to access their money.

- **Do you plan on adding more human advisors over time?**

We do expect to recruit more advisors, but we don't expect their main role to involve delivering one-to-one advice, they are going to improve our product in a way that makes their expertise available to all.

- **How has the recent market downturn impacted your business? How are customers reacting?**

We saw very, very few customers withdrawing money, and we've taken that as a sign that our ambition to help customers understand financial markets is working. We communicate with customers about markets regularly – through emails, videos, social media and through the platform itself. In particular, we try to emphasize that investing is for the long-term – and it seems like our customers have taken the message seriously.



# Digital Wealth Management

## Nick Hungerford, Nutmeg (cont.)

**nutmeg**

***“Where the US goes the UK follows – and the success of automated services in the US demonstrates what enormous potential businesses like Nutmeg have here in the UK.”***

- **How will traditional wealth advisors respond to the robo advisors taking market share? Have any of the recent acquisitions in the space surprised you?**

At every wealth management conference during the past 12 months, there's been a long conversation about robo-advice, and what it means for the industry. Fewer and fewer market players are being dismissive about robo-advice today: the industry is realizing the potential of automated advice, recognizing that it promises to offer financial advice to a far wider customer base than has ever had access to financial advice before.

- **How is the U.K. market different than the U.S.?**

The US market is a little further ahead of the UK's on a social-acceptance basis. US consumers are more focused on the cost of investment management, more familiar with passive investing and more likely to discuss their investments socially. But where the US goes the UK follows – and the success of automated services in the US demonstrates what enormous potential businesses like Nutmeg have here in the UK.

- **Are there any pending regulatory issues that give you concern or you think will create new opportunities?**

In general we are hoping that regulatory change happens faster than currently scheduled. Change is about increased transparency and benefit to customers. We feel we are well positioned in these areas.

- **What is the long-term vision for Nutmeg? What will the company look like in 5-10 years from now?**

This year we doubled in size, introduced a successful pension product, reformed our pricing, began developing robo-advice, and transformed our operational platform. We have a clear vision for Nutmeg in 2020, but you'll have to excuse us from sharing it here!

- **Are there other areas of the wealth management that you think are ripe for innovation?**

We're always trying to learn more about our customers. If we're going to deliver intelligent automated advice that can eventually understand a customer's needs in a way that's better than a human adviser's understanding, we need to be able to grasp their needs and circumstances. So we're asking ourselves: can we learn from customers' online behavior – social media activities, engagement with our platform, financial information – what their needs are, and how we can help them? This is an area that companies like Facebook and Google are exploring constantly, and we're applying that kind of learning and thinking to wealth management for the first time. There's a lot to be done here, but it's a very exciting area for innovation.

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**Aaron Klein, Riskalyze**



# Digital Wealth Management

Aaron Klein, Riskalyze



*“We invented the Risk Number because we believe every investor has one — an amount of risk they can handle that is deeply personal to who they are.”*

Aaron Klein

Riskalyze



Aaron Klein Co-Founded and joined Riskalyze as CEO in 2011. He has led the company through the building of its core technology, the validation of that technology with users building \$2 billion in portfolios and the launch of its platform that serves investment advisors all across the United States. In 2014 he was honored by the Sacramento Business Journal as one of the regions top 40 under 40 business executives.

## ■ What was the vision behind founding Riskalyze?

Our mission is aligning the world’s investments with each investor’s Risk Number. We invented the Risk Number because we believe every investor has one — an amount of risk they can handle that is deeply personal to who they are. If we can pinpoint that and help them align their portfolio to fit their Risk Number, we can defeat the human instinct to sabotage our own investing, stop panic selling at exactly the wrong time, and stay the course even when markets are rocky.

## ■ Tell us a little bit about the “Risk Number” and how advisors can use risk assessment to align an individual’s risk tolerance with their investment portfolio. How do you accurately assess one’s risk tolerance?

First and foremost, we can’t start with stereotypical risk capacity (young=aggressive, old=conservative) and then nudge a bit with market sentiment questions (e.g. “do you get a thrill out of investing?”). We have to use quantitative, objective questions, based on dollar amounts relevant to the investor, to understand when that investor prefers risk and when they prefer certainty. It’s a lot of proprietary technology that we’ve built on top of a Nobel Prize-winning academic framework called “Prospect Theory.”

## ■ How does Riskalyze leverage some of the trends of digital engagement / “robo” advice while still providing solutions that enable advisors?

We believe that “robo” is a much better technology model than business model. Self-directed robo businesses are struggling with crazy-high CAC compared to revenue. Advisor-driven robo businesses are thriving. And when you peel away the differences, you discover that robo is really a technology model...flipping the tech that used to exclusively touch advisors, and letting the clients do some of the driving. That drives down cost and complexity, and drives up scalability in advisory businesses, and we’re helping some of the best firms capitalize on that trend.





# Digital Wealth Management

## Aaron Klein, Riskalyze (cont.)



***“The industry has been in denial for a long time, then it rapidly flipped to every advisor trying to bolt a self-directed robo onto the side of their firm. The truth is that in three to five years, advisory firms without robo-type technology are going to be like banks without ATMs.”***

- **Please describe the capabilities behind the Autopilot digital advice platform and the Compliance Cloud platform.**

Autopilot is an advisor-driven digital advice platform that empowers advisors to create scalability in their businesses while using the Risk Number to help clients get invested correctly, and stay that way as the markets change. Compliance Cloud is our big data analytics platform for enterprises to use the Risk Number to sift through and find compliance risks across millions of accounts in a book of business.

- **How will traditional wealth advisors respond to the robo advisors taking market share? Have any of the recent acquisitions in the space surprised you?**

The industry has been in denial for a long time, then it rapidly flipped to every advisor trying to bolt a self-directed robo onto the side of their firm. The truth is that in three to five years, advisory firms without robo-type technology are going to be like banks without ATMs. You'll be in business, but best of luck attracting new clients. And by the way, Wealthfront and Betterment are currently like ATMs without banks. There's a market for that, but we've seen that movie before and the bank branch is still alive and kicking.

- **What are the key challenges / needs facing RIAs and other wealth advisors today? How will the role of the human financial advisor change over time?**

Advisors need to stop believing that they sell pie charts for 100 basis points. The actual portfolio allocation is a commodity and mean reversion tells us you'll generate very little alpha by trying to market your value that way. Within three to five years, the vast majority of the traditional advisors will have repositioned their value as delivering the behavioral coaching, cash flow planning and “financial consigliere” services that the self-directed robos can't effectively compete with.

- **What new capabilities / functionality will you be adding in the future?**

We're going to continue innovating the advisor-client relationship, how to help advisors deliver risk-based behavioral coaching that empowers clients to make the right decisions, and how to help those advisors drive down cost and complexity and drive up scalability in their businesses. Each one of those things feeds into our core mission — aligning the world's investments with each investor's Risk Number.

- **How do you define the market opportunity for Riskalyze?**

We will never appeal to the kind of advisor who doesn't want their client to understand the true risk of the portfolio they're selling them, and we're comfortable writing off that chunk of the market. There are 247,000 independent advisors in the US and many more overseas — lots of room for growth.



# Digital Wealth Management

## Aaron Klein, Riskalyze (cont.)



- **Does Riskalyze's location in Auburn, CA present any particular challenges or advantages for the business?**  
We find it's a great advantage. We have brought some of the brightest minds on the planet together to solve these problems. Our people are loyal and don't just run to the next startup that flashes a few bucks in their face. We have great talent pools in Auburn and in our east coast hub of Atlanta and we think those talent pools can power us for a long, long time.
- **Are there any pending regulatory issues that give you concern or you think will create new opportunities?**  
The pending Department of Labor regulations on retirement accounts are going to be very challenging for the industry to comply with, but we're well positioned to help our enterprise partners quantify that they're fulfilling their fiduciary duties, and move old commission-based accounts into fee-based managed account programs.
- **What is the long-term vision for Riskalyze? What will the company look like in 5-10 years from now?**  
With \$139 billion on the platform, we're well on our way toward accomplishing our mission, but we've still got a long ways to go. Five to ten years from now, we're one of the big cornerstones of an advisor's business, helping them build fearless investors who stay the course even when markets are rocky. And we'll see where the road takes us from there.
- **Are there other areas of the wealth management that you think are ripe for innovation?**  
Yes, but I'll have to save those for our future product announcements. ☺

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**Mike Sha, SigFig**



# Digital Wealth Management

Mike Sha, SigFig



*“We saw an industry rife with high fees, opaque pricing, and complex products that required aggressive sales tactics and only targeted very wealthy clients, and we sought to change it by democratizing access to inexpensive, high-quality passive advice.”*

Mike Sha

SigFig



Mike Sha is Co-Founder and CEO of SigFig, a digital wealth advice platform that helps everyday people invest better, with asset management services as well as a portfolio tracker that tracks hundreds of billions of dollars of assets. Prior to SigFig, Mike held senior roles at Amazon, where he launched and built the Amazon Visa Card into one of the fastest growing consumer loyalty cards in history, was one of the original inventors of Amazon's Prime program, and built sophisticated fraud detection models that leveraged statistical data analysis in preventing online fraud.

■ **What was the vision behind founding SigFig?**

SigFig was founded based on the very simple belief that intuitive, easy-to-use technology could help Americans invest better. We saw an industry rife with high fees, opaque pricing, and complex products that required aggressive sales tactics and only targeted very wealthy clients, and we sought to change it by democratizing access to inexpensive, high-quality passive advice.

■ **What are the problems you see with the traditional wealth management industry?**

Only approximately 5% of Americans have enough wealth to attract quality financial advisors, and all American investors have been marketing active management products that research suggests only enrich the managers with fees that are not justified by any consistent historical outperformance. Moreover, there was a distinct absence of excellent digital experiences available to even those clients who worked with highly-compensated advisors; the industry had not yet begun to provide high-quality digital experiences.

■ **How do you balance any competitive tensions both serving consumers directly and providing an enterprise platform for financial institutions?**

We seek out partners who have the same philosophical bent towards prioritizing the customers' well-being and being completely transparent about fees to avoid any tension.

■ **Describe the process from beginning to end for a consumer to have a personalized portfolio built by SigFig. What is your philosophy around what types of underlying investment vehicles you use to build portfolios?**

Our investment committee selects exchange traded funds with the lowest overall expense ratio, lowest possible tracking error vis-à-vis the relevant benchmark, and greatest liquidity available in order to satisfy the asset classes that our investment algorithm has determined will create the blend between the 'market portfolio' and the risk-free rate advocated by modern portfolio theory. In order to determine the appropriate allocation between the market portfolio and the risk-free rate, our clients take an online Risk Tolerance Questionnaire (RTQ), which reveals their capacity and willingness to take on risk.



# Digital Wealth Management

## Mike Sha, SigFig (cont.)



### ■ **What consumer segments are you specifically targeting?**

Unlike similar digital wealth advisory platforms, we do not focus on Millennials or any other demographic. The benefits of high-quality, low-cost, disciplined investment advice (with a great digital experience) inure to all sorts of demographics.

### ■ **How is SigFig different from other robo advisors?**

Our open architecture, multi-custodial approach distinguishes us from the few other robo advisors focused on the enterprise partnership space. Additionally, our product agnosticism avoids fiduciary conflicts that may arise from robo advisors required to push certain product selections based on their partnership or ownership.

### ■ **What marketing channels are proving most effective for your business?**

We've enjoyed the most success where a large enterprise's CEO or Digital Innovation head heard me or another SigFig representative speak at a conference about the opportunity to pair SigFig's robo solution with their existing user base.

### ■ **How has the recent market downturn impacted your business? How are customers reacting?**

Our customers actually increased their propensity to add funds by approximately 50% during the recent downturn, which we attribute to strong customer education around how pulling away from the appropriate portfolio in response to a downturn tends to correlate with lower overall returns over the long term.

### ■ **Are there any pending regulatory issues that give you concern or you think will create new opportunities?**

The proposed DOL changes could provide a tailwind to what we anticipate will be strong secular growth in the robo segment.

### ■ **What is the long-term vision for SigFig? What will the company look like in 5-10 years from now?**

SigFig will be doing the same thing it does today: help people invest easily and at a low cost, with high-quality advice. It will probably just do it in more geographies, with increased functionality, and with more enterprise partners.

### ■ **Are there other areas of the wealth management that you think are ripe for innovation?**

Of course! But one opportunity at a time.

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**Richard Cancro & Alexey Sokolin, Vanare**



# Digital Wealth Management

## Richard Cancro & Alexey Sokolin, Vanare



*“Our mission is to catalyze profitable growth for financial advisors through innovative technology, leading to enhanced client service, long-lasting relationships, and higher enterprise value.”*

**Richard Cancro**  
CEO



Richard Cancro is the Founder & Chief Executive Officer of Vanare. As the CEO, Richard sets the strategic vision, oversees the Company’s business operations, and manages product strategy for Vanare. He has over 20 years of experience building and managing wealth management businesses, platforms and products at Bank of America/Merrill Lynch, JP Morgan, Bear Stearns, Pershing and DLJ Direct. Richard has a successful track record of creating innovative solutions, re-inventing technology platforms and driving financial growth for his businesses.

**Alexey Sokolin**  
COO



Alexey (Lex) Sokolin is a Partner and Chief Operating Officer of Vanare. He oversees product innovation and design, and manages the company’s ongoing business development. Mr. Sokolin was previously Founder and Chief Executive Officer of NestEgg Wealth, a next-generation technology company and RIA that pioneered online wealth management in partnership with financial advisors, reaching new customers in a scalable way by algorithmically automating financial advice online. NestEgg Wealth was acquired by Vanare in 2014.

### ■ What is the vision behind founding Vanare?

Vanare is a next-generation wealth management platform built on robo advisor DNA. Our mission is to catalyze profitable growth for financial advisors through innovative technology, leading to enhanced client service, long-lasting relationships, and higher enterprise value.

We provide a comprehensive platform for financial firms, the first to truly integrate online and traditional wealth management solutions. Our prospect and client management tools include performance reporting, portfolio management, online account opening, proposal generation, compliance logs, financial planning, and trading and rebalancing.

The robo advisor DNA stands for empowering advisors to scale their digital offering and serve the next generation, which helps investors get access to high quality investment choices and outcomes. Our client firms can create private-label digital advice channels using their own brand and investment philosophy, leveraging on our front-end or via an API.





# Digital Wealth Management

## Richard Cancro & Alexey Sokolin, Vanare (cont.)



***“Our vision is to power thousands of digitally enabled financial advisors, each with a different brand, investment framework, and consumer audience.”***

■ **What are the problems you see with the traditional wealth management industry? What are current vendors to this market lacking?**

The wealth management industry faces several fundamental trends. First, there is a \$40 trillion intergenerational wealth transfer that is in progress, from a generation that has traditionally relied on an in-person advisor relationship to a generation that expects much more of a technology-augmented experience. Advisors need to understand the millennials and engage with them on their own terms in order to preserve the household relationships that have been the cornerstone of the advisor business model.

Second, there is significant competitive pressure from consolidation. Independent RIAs are merging and being acquired in order to create multi-billion dollar AUM scale and efficiency. These larger companies benefit from the operational and technology practice management best practices, which lead to superior growth. Lastly, robo advisors are creating fee-compression and competing with the traditional financial advisor, utilizing ETF-based low-cost investment models powered by efficient technology. We see Vanare helping our clients address each one of these challenges. Our solution helps firms connect with the next generation, become more integrated and scalable, and lower costs.

Smarter technology improvements, based on machine learning and neural networks, may also start to play a role in the wealth management space. An algorithm that reads a client’s social media presence and financial data feed may be able to provide a true and optimal view of that investor’s risk posture and financial needs. We expect to incorporate such tools into the existing advisor workflow and into self-directed tools to make advice generally more sophisticated and accurate.

■ **How is Vanare different from other white label digital wealth management providers? What are the full breadth of services you offer? Do you expect other providers to follow your lead by adding robo advisor capabilities?**

Unlike B2C robo advisor companies, which serve an investor directly and have to succeed in consumer marketing, we work with financial institutions in partnership. Our clients are Registered Investment Advisors, and we extend their business through the use of technology. Our vision is to power thousands of digitally enabled financial advisors, each with a different brand, investment framework, and consumer audience.

Another key difference is that our platform can support existing assets. A \$5 billion firm cannot move that entire asset base to a robo advisor. We combine the digital and traditional channels in an integrated platform, empowering the advisor to manage complex household relationships with different needs. We are the only platform built for the purpose of helping RIAs accomplish this transition of assets into a next-generation service model, while also satisfying and growing the existing business using efficient workflows and technology. We offer sophisticated performance reporting, trading and CRM with the ability to customize household views of the relationship, as well as a fully customizable, modern robo advisor based on the RIA investment philosophy.

We expect that all financial advisory companies will develop digital advice capabilities, and we see our firm as the best-in-class provider in the space.





# Digital Wealth Management

## Richard Cancro & Alexey Sokolin, Vanare (cont.)



***“\$40 trillion of assets will be moved between generations in the near future, and firms need a solution to remain relevant for the next wave of wealth management.”***

### ■ How did the NestEgg acquisition come about and what was the strategic thinking behind the transaction?

The partners met in 2013 and had a joint vision for the industry—helping financial firms leverage the digital advice revolution with a platform that supports both traditional and robo advisor business models together.

CEO Rich Cancro has deep experience creating enterprise-scale technology platforms for financial advisors, having built and managed such technology at Merrill Lynch, Bear Stearns and Pershing. He has focused on making the delivery of wealth management more holistic, streamlined and integrated. COO Alexey (Lex) Sokolin is a robo advisor pioneer, having founded NestEgg Wealth in 2010 and private-labeled the software to wealth managers in 2012. Lex’s mission has been to democratize access to high quality advice for every investor using the consumer web. His experience running a robo advisor taught him that automating the wealth management process is not enough – there needed to be a human touch for complex financial situation.

As a result of this collaboration, the team developed a platform that is purpose-build to support both fully-online and fully-traditional wealth management business, as well as all permutations in between. Together, Vanare has a unique view and ability to help financial firms hypercharge their growth with digital advice, benefit from the intergenerational wealth transfer, and create enterprise value.

### ■ What segments of the market are you specifically targeting?

We target the independent registered investment advisor market (“RIAs”) and the retail, mass-affluent and high net worth clients that they serve. There is over \$10 trillion in assets under management at play controlled by the clients, and approximately \$4 trillion that is directly advised on by the independent channel.

Our target RIA manages between \$100 million and \$5 billion in assets, and is faced with the major problem of scale. As these firms become larger, the disconnected technology solutions they use for trading, planning, investment and asset allocation become a barrier to efficiency and growth. An integrated platform solution unifies the data and workflows together to allow these firms to grow faster and more profitably.

Second, these firms face the challenge of understanding younger millennial clients, and providing scalable services that incorporate these clients into the overall model. Approximately \$40 trillion of assets will be moved between generations in the near future, and firms need a solution to remain relevant for the next wave of wealth management. Our platform allows RIAs to set up a private-label robo advisor platform to capture this opportunity, in addition to serving their core clients traditionally.

More recently, we have also started working with larger firms – from asset managers to insurance companies and independent broker/dealers.



# Digital Wealth Management

## Richard Cancro & Alexey Sokolin, Vanare (cont.)



***“The adopters understand that the world has already changed fundamentally, and that many firms in the marketplace are oriented around capturing the future assets in motion, as well as on providing the best-possible online client experience to all clients.”***

- **How will traditional wealth advisors respond to the robo advisors taking market share? Have any of the recent acquisitions in the space surprised you?**

There will be the adopters, and there will be the deniers. The deniers will focus on the fact that online accounts are small in size and Millennials have not yet inherited the Gen X assets, and therefore are not traditionally profitable to serve without scale. The adopters understand that the world has already changed fundamentally, and that many firms in the marketplace are oriented around capturing the future assets in motion, as well as on providing the best-possible online client experience to all clients. On a longer time horizon of 10-20 years, the deniers will lose market share as their practices fail to institutionalize, while the adopters will see an uplift in brand, scale, profitability and enterprise value. There is no way to get around the future.

None of the acquisitions are that surprising, though it may be necessary to analyze each closely to understand the driving reasons for both the strategic fits and the high valuations. LearnVest and FutureAdvisor lead in terms of revenue multiples, but both had a strong strategic value to their acquirers far beyond cashflow and client acquisition. What is more surprising is that still so many large traditional firms do not equally value the innovation in the marketplace, and continue to mark acquisition targets not at strategic benefit to the enterprise but on incompatible comparables.

- **What are the key challenges / needs facing RIAs and other wealth advisors today? How will the role of the human financial advisor change over time?**

Investors are greatly benefiting from the current transformation. Clients with lower asset levels have unprecedented access to high quality, sophisticated investment advice that was not previously available to them, other than through a financial advisor. However, advisors did not previously have a way to engage with such clients in a scalable way. With the new technology that we have developed, both parties face a much better value proposition.

Another outcome is that pricing for certain asset allocation is decreasing from over 150 basis points to 25 basis points for ETF-based passive asset management. To maintain margins, Advisors will need to unbundle this asset management component of their services and automate them, thereby focusing on relationship management, financial planning and wealth and estate planning. The advisor will become a behavioral financial therapist, helping guide a client through decisions and using powerful algorithms to implement products.



# Digital Wealth Management

## Richard Cancro & Alexey Sokolin, Vanare (cont.)



***“In the further future, we plan to use machine learning and natural language processing to pull social media and form it into client personality profiles.”***

### ■ What new capabilities / functionality will you be adding in the future?

From a practical product development point of view, we are addressing market trends from two directions. On the one hand, we understand that the client experience must be spectacular and that the latest innovations are important to attract user attention and loyalty. To that end, we research and prioritize development on features like client-facing financial planning, data aggregation and automated risk profiling. Ideas in this vein include semantic analysis and quicker onboarding through integration with services like Plaid.

On the other hand, we understand that the client experience must plug into a much larger advisor platform, supported by enterprise-level data and functional entitlements, analytics, and workflow tools. We have executed on building such platform foundation by creating flexible user Roles, building generalizable architecture, integrating deeply with FolioDynamix, delivering Compliance approval workflows, having a flexible Billing tool, and providing robust platform statistics.

In the further future, we plan to use machine learning and natural language processing to pull social media and form it into client personality profiles. These will be used in addition to the investment questionnaires to help advisors more deeply understand their clients. Other interesting technologies to explore will be image recognition, virtual reality, digital cash/securities and leveraging the Blockchain for trading and contracting.

### ■ What marketing channels are proving most effective for your business?

We have had tremendous success partnering with custodians such as TD Ameritrade, and engaging with the independent RIA channels. We focus on enterprise sales, supported by marketing through conference and press. Vanare has been fortunate to receive incredible demand via our website alone, creating pull marketing in what is traditionally a push marketing industry. We also partner with asset managers and TAMPs for distribution.

### ■ Are there any pending regulatory issues that give you concern or you think will create new opportunities?

We believe that the pending DOL regulation is an opportunity to reimagine the level of service and personalization that financial companies provide to their customers. Though some firms will likely exit the market due to tighter regulation, firms that use scalable technology should be able to improve the specificity of advice, manage the documentation in a compliant manner, and still experience profitable growth. Certainly without such technology in place, building a scalable business will be very challenging under new regulation.



# Digital Wealth Management

## Richard Cancro & Alexey Sokolin, Vanare (cont.)



***“Smarter technology improvements, based on machine learning and neural networks, may also start to play a role in the wealth management space.”***

### ■ **What is the long-term vision for Vanare? What will the company look like in 5-10 years from now?**

We should expect the space to evolve very quickly. Robo-advisors will add more sophisticated investment strategies, including hedging and alternatives, as well as financial planning and data aggregation capabilities. Traditional financial advisors will deepen the relationships they have with clients and should expect the number of individuals that they can economically serve to increase significantly, from 50 to 500 on average.

Smarter technology improvements, based on machine learning and neural networks, may also start to play a role in the wealth management space. An algorithm that reads a client’s social media presence and financial data feed may be able to provide a true and optimal view of that investor’s risk posture and financial needs. We expect to incorporate such tools into the existing advisor workflow and into self-directed tools to make advice generally more sophisticated and accurate. Further, the shift of assets toward younger generations will drive demand for such features and provide even more room for the industry to innovate.

At that point of time, Vanare will be akin to a space shuttle cockpit, controlled by the advisor, all with the simplicity of a self-driving Google car. The advisor and the client relationship will be front and center, enhanced and amplified via technology. All the infrastructure work – from account opening, to money movement, to investment and trading, to billing and CRM – will be automated and controlled by the advisor to match their client’s comfort level. We expect to be the most innovative and intelligent ecosystem for a financial advisor professional and their client.

### ■ **Are there other areas of the wealth management that you think are ripe for innovation?**

In addition to the areas discussed above, one particular area for innovation is money movement and asset location. We believe this is the next frontier for automated advice – past allocation, trading, account opening, and data aggregation. Automated money movement based on artificial intelligence that analyzes spending habits and conforms the appropriate savings to a financial plan, structuring the investment in tax-efficient ways, could transform a meaningful portion of the industry.

There is also a lot of work to do generating an audience and prospects online for digital advisors. The advertising technology revolution should be extended into financial services to better connect potential clients and advisors. Though there is an inherent regulatory challenge, services should not shy away from trying to deliver this key piece of the value chain in a compliant manner.

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## IV. Industry Landscape



# Digital Wealth Management

## Industry Landscape – Category Description

### Direct-to-Consumer Digital Wealth Management

- Through an online / mobile offering, provide automated investment advice and / or portfolio construction directly to consumers, typically through a portfolio constructed of ETFs, based on specific investment goals, time horizons and risk appetites
- Most provide automated ongoing rebalancing and asset allocation as well as offering automatic tax-loss harvesting
- Offer little or no contact with human advisors

### International Digital Wealth Management

- Through an online / mobile offering, firms provide automated investment advice and / or portfolio construction directly to consumers, typically through a portfolio constructed of ETFs, based on specific investment goals, time horizons and risk appetites
- Most provide automated ongoing rebalancing and asset allocation as well as offering automatic tax-loss harvesting
- Some firms may offer access to a human advisor

### Direct-to-Consumer with Advisor Assistance

- Provide automated online investment advice, tools and / or portfolio construction, but also provide access to a human financial advisor to assist in the investment process, to help achieve personal goals and to deal with specific life events

### B2B Digital Wealth Management / White Label Solutions

- Provide a number of digital wealth management tools (including full robo advisory services) to individual financial advisors as well as wealth management firm
- Offerings are typically provided on a white label basis so traditional investment managers can protect their brand identity

### Traditional Firms with In-house “Robo Advisor” Offerings

- A handful of traditional wealth management firms, including Charles Schwab and Vanguard have launched their own proprietary robo advisor offerings
- Other firms have made acquisitions or formed partnerships in order to improve speed to market with a proprietary robo advisor offering including BlackRock and Fidelity

### Digital Retirement Solution Providers

- Provide automated digital wealth management solutions directly to consumers and /or employers (D2C) and RIAs and other service providers (B2B), specifically targeting retirement assets

### Direct-to-Consumer Savings / Investing Facilitators

- Provide platforms that enable consumers to save money or invest on a regular, ongoing basis
- Can be achieved through “rounding up” credit card transactions or through direct withdrawals against checking or savings accounts

### Access to New Investments / Products

- Provide access to new investments or products that were previously unavailable or difficult to access for the average consumer



# Digital Wealth Management

## Industry Landscape – Selected Category Examples

**Direct-to-Consumer Digital Wealth Management**

**International Digital Wealth Management**

**Direct-to-Consumer with Advisor Assistance**

**B2B Digital Wealth Management / White Label Solutions**

**Traditional Firms with In-House "Robo Advisor" Offerings**

**Digital Retirement Solution Providers**

Direct-to-Consumer	Business-to-Business
rebalanceIRA, financial engines, Honest Dollar	forusall, financial engines
FeeX, Betterment, GuidedChoice, MCANINGSTAR, nextcapital, bloom	Guideline, FeeX, Betterment, Captain401

**Direct-to-Consumer Savings / Investing Facilitators**

**Access to New Investments / Products**















# Digital Wealth Management

## Industry Landscape – Select Fees and Assets Under Management

Company	Description	Advisory Fees	AUM
 <b>Vanguard</b> Personal Advisor	Vanguard's service combines "robo advisory" automated asset allocation and rebalancing with access to human advisors on the phone and on video	30 bps	\$31 bn+
	Automated investment advisor service that monitors and rebalances portfolios	0 bps <sup>(1)</sup>	\$5.3 bn+
 <b>Betterment</b>	Betterment's platform provides automated financial planning, retirement, individual retirement plans (IRA), trust account, and tax loss harvesting services	15 - 35 bps	\$3.3 bn
	Wealthfront builds, manages, and rebalances personalized and diversified investment portfolios using its automated platform	25 bps	\$2.8 bn
 <b>PERSONAL CAPITAL</b>	Personal Capital's software allows users to monitor and control the income, spending, and performance of investments on a single screen; it also provides investment advice and custom investment strategies.	49 - 89 bps	\$2.4 bn
	FutureAdvisor provides automated and manual investment management services that manage multiple accounts holistically	50 bps	\$750 mm+
	SigFig is a financial advisory platform that instantly pulls investments into a single dashboard, analyzes investment portfolios, and gives advice on their investments	25 bps	\$100 mm / "tracks \$350 bn+"
	LearnVest partners clients with dedicated financial planners who give advice about spending, budgets, and investing without directly managing the portfolio	\$299 setup + \$19 / month	na

Source: Company websites, Capital IQ, SEC filings.

1. While Charles Schwab does not charge any base advisory fees for Intelligent Portfolios, affiliates do earn revenue from the underlying assets in Schwab Intelligent Portfolios accounts.

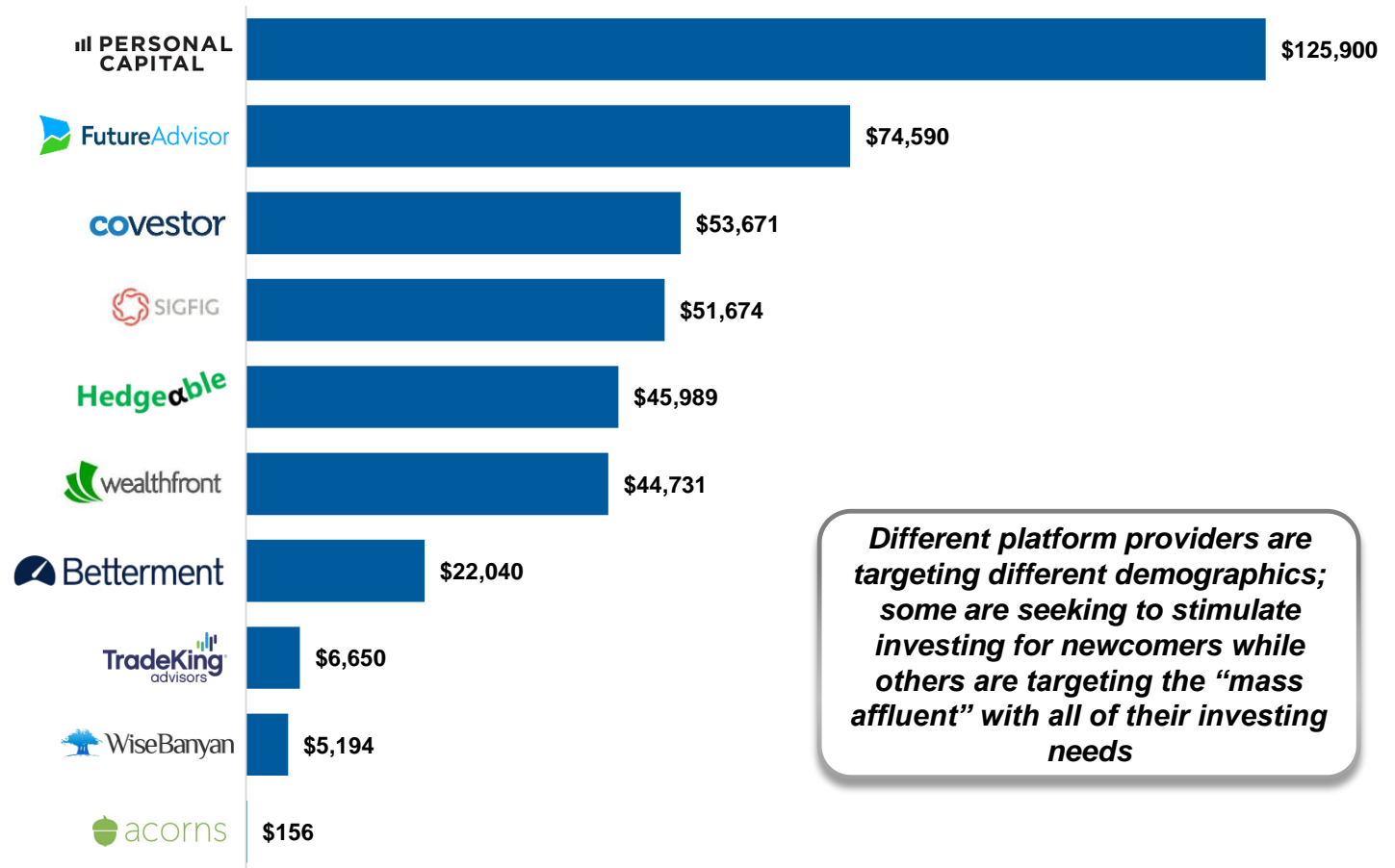




# Digital Wealth Management

## Differences Among Service Providers

### Average AUM Per Account



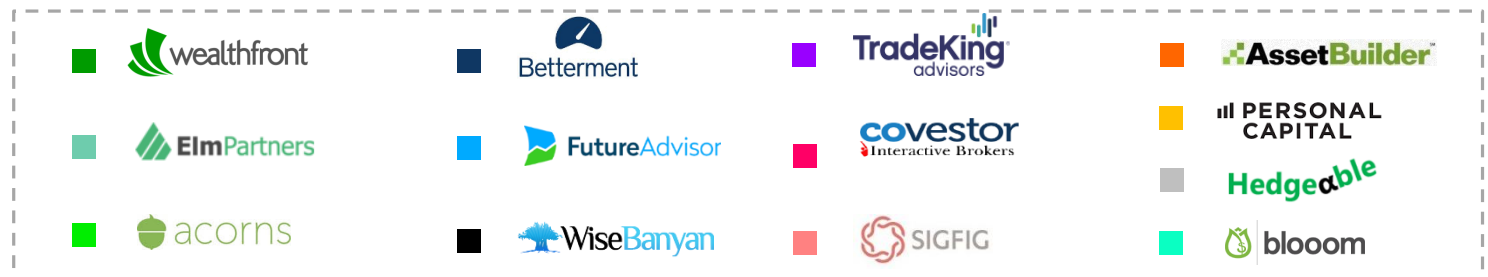
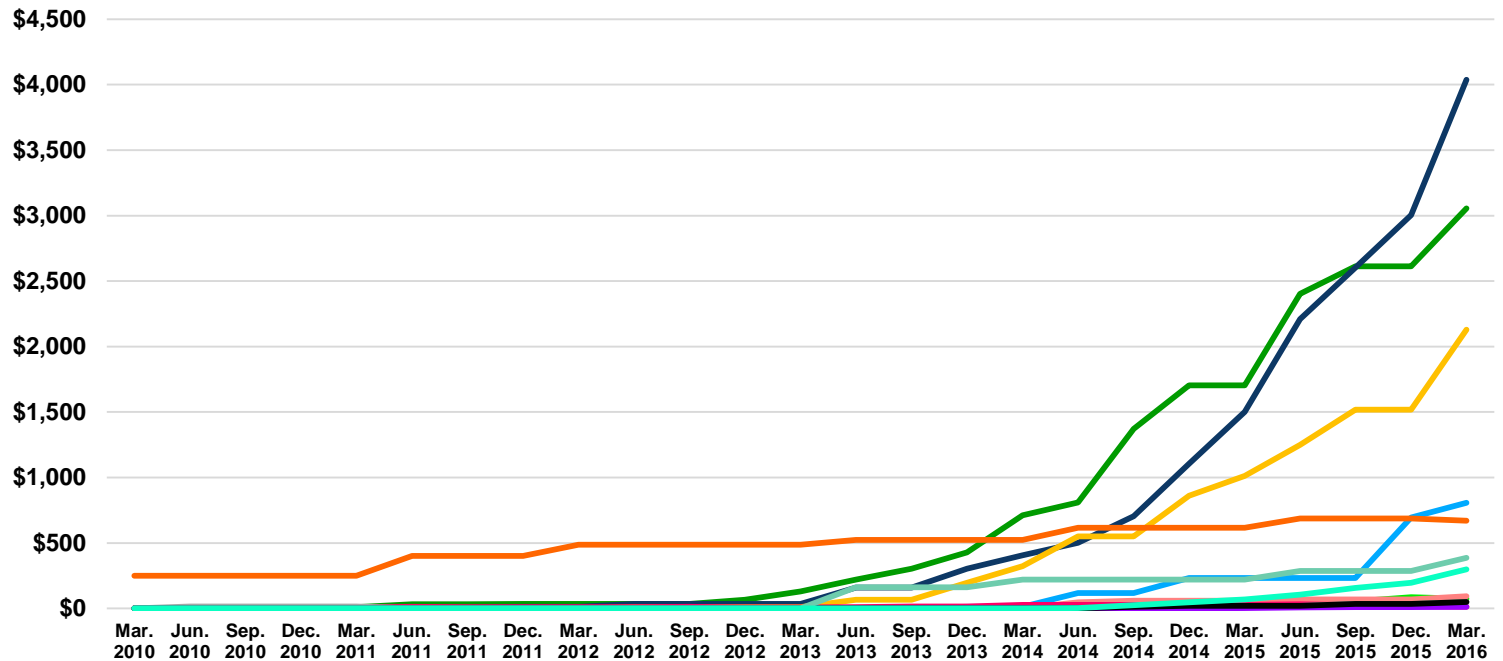
*Different platform providers are targeting different demographics; some are seeking to stimulate investing for newcomers while others are targeting the “mass affluent” with all of their investing needs*



# Digital Wealth Management

## Assets Under Management and Client Accounts

Assets Under Management (\$ in mm)

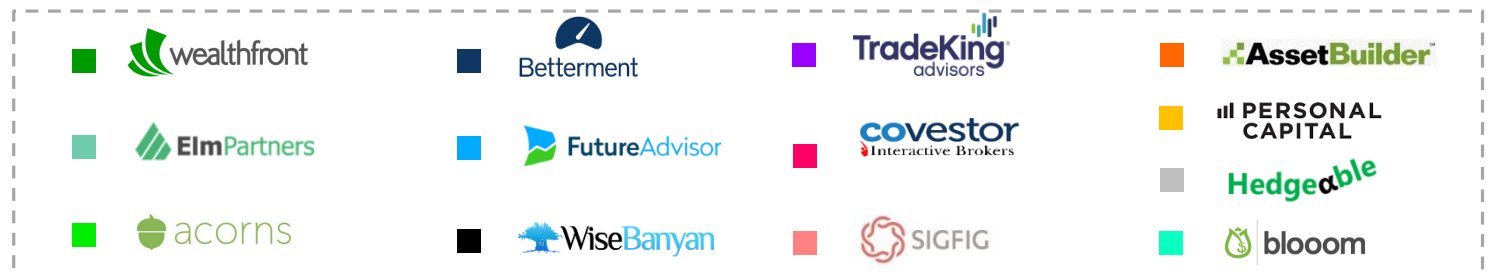
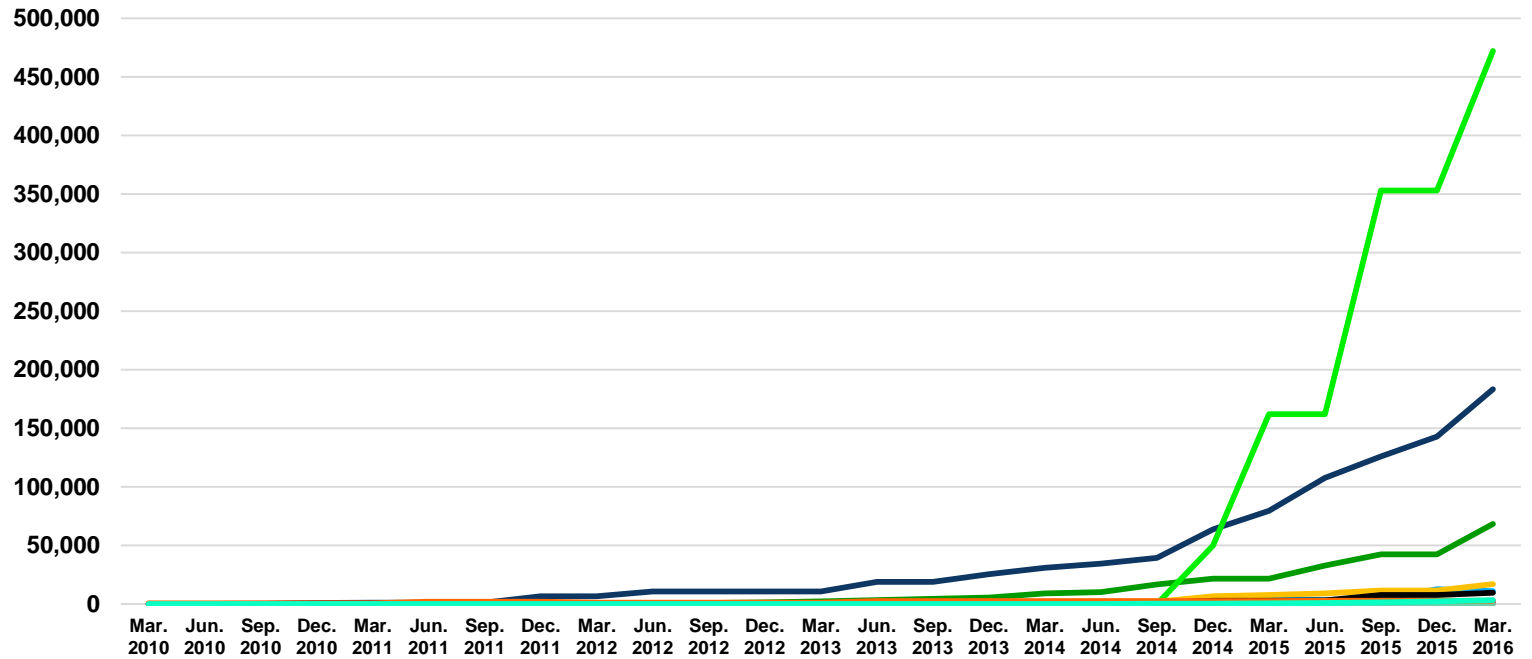




# Digital Wealth Management

## Assets Under Management and Client Accounts

### Client Accounts











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## V. Selected Transactions



# Digital Wealth Management



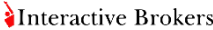





## Selected M&A Transactions

Date	Acquirer	Target	Value (\$ mm)	Comments
04/06/16			\$275	<ul style="list-style-type: none"> <li>Ally Financial announced the acquisition of TradeKing for \$275 mm</li> <li>TradeKing is an online broker dealer and registered investment advisor, offering a range of portfolio management solutions and services</li> <li>Ally Financial is a public and diversified financial services company based in the US focused on the auto and consumer finance industries</li> </ul>
03/14/16			na	<ul style="list-style-type: none"> <li>The Investment Management Division of Goldman Sachs announced the acquisition of Honest Dollar, a web and mobile-based retirement savings platform</li> <li>Honest Dollar enables employees of small- and medium-sized businesses, self-employed individuals and independent contractors to quickly begin saving and investing for retirement</li> </ul>
01/12/16			na	<ul style="list-style-type: none"> <li>Invesco announced the acquisition of Jemstep, a provider of advisor-focused digital solutions</li> <li>Jemstep provides a simple way for advisors to engage with clients by providing a flexible platform that makes it easy for investors to access professional advice online through advisor-selected, customized asset allocations</li> </ul>
08/26/15			na	<ul style="list-style-type: none"> <li>BlackRock, the largest global asset manager, has announced the acquisition of FutureAdvisor, a digital wealth management platform</li> <li>The deal combines FutureAdvisor's tech-enabled advice capabilities with BlackRock's investment and risk management solutions</li> <li>FT Partners served as exclusive advisor to BlackRock on the transaction; terms of the transaction were not disclosed</li> </ul>



# Digital Wealth Management

## Selected M&A Transactions (cont.)

Date	Acquirer	Target	Value (\$ mm)	Comments
05/26/15	 John Hancock the future is yours	 guide	na	<ul style="list-style-type: none"> <li>Guide Financial applies artificial intelligence to help investors make better planning decisions and build wealth</li> <li>John Hancock may have felt that Guide's focus on cash flows and retirement advise make it the most relevant to John Hancock's customer base and product line</li> <li>The partnership provides Guide Financial with John Hancock's resources base to help fuel development and gives John Hancock a tech-focused product to add to its suite</li> </ul>
04/23/15	 Interactive Brokers	 covestor	na	<ul style="list-style-type: none"> <li>Covestor provides an automated platform that mimics the trades of selected experienced investors based on the user's risk tolerance</li> <li>The deal will expand Interactive Brokers' capabilities in building a marketplace that brings together multiple market constituents while offering additional products and services</li> <li>By joining with Interactive Brokers, Covestor will be able to leverage Interactive Brokers' large customer base and rapidly add more portfolio managers to Covestor's marketplace, provide additional asset classes to clients and expand its offerings globally</li> </ul>
03/25/15	 Northwestern Mutual	 LEARNVEST	\$250	<ul style="list-style-type: none"> <li>Northwestern Mutual has announced that it will acquire LearnVest, a leading financial planning platform</li> <li>Through the acquisition, Northwestern Mutual has positioned itself to target the millennial generation, who are set to inherit around \$30 tn in the coming years</li> <li>Northwestern Mutual currently has more than 4.2 million clients worldwide and LearnVest currently has about 1.5 million users; the acquisition is expected to increase both customer bases</li> <li>LearnVest will continue to operate independently as a subsidiary; allowing it to continue to focus on growth of the platform</li> </ul>
02/26/15	 ENVESTNET	 UPSIDE	3	<ul style="list-style-type: none"> <li>Envestnet acquired Upside Financial, a technology company that provides digital advice solutions to financial advisors, for an undisclosed amount</li> <li>The acquisition will allow Envestnet to combine Upside's convenient investor-facing financial planning platform with its suite of investment solutions, portfolio analytics tools and account servicing infrastructure</li> <li>Envestnet plans to build on Upside's advisor solution by utilizing the time-tested operations and servicing functionality of its own platform</li> </ul>



# Digital Wealth Management

## Selected Financing Transactions




















Announce Date	Target	Investors / Acquirers	Size (\$ mm)	Valuation
06/02/16	digit	Ribbit Capital  General Catalyst Partners	\$23.0	na
05/19/16	PERSONAL CAPITAL	IGM Financial	75.0	na
05/16/16	SIGFIG	Eaton Vance; Comerica Bank; New York Life; Santander InnoVentures; and UBS	40.0	na
04/21/16	acorns	PayPal; Rakuten; Greycroft Partners; e.ventures	30.0	na
03/29/16	Betterment	Investment A.B. Kinnevik	300.0	\$700
02/19/16	FlexScore	UNITED CAPITAL FINANCIAL LIFE MANAGEMENT	na	na
12/17/15	nextcapital	Alliance Bernstein; Manulife Financial Corporation; Route 66 Ventures	16.0	na
12/15/15	indexcapital	Bewa7er; Cabiedes & Partners; FIDES Capital Partners; Viriditas Ventures	1.1	na
11/18/15	VANARE	Undisclosed Investors	3.0	na
11/09/15	moneyfarm	Cabot Square Capital; United Ventures	17.2	na
10/29/15	TAVAGA	Undisclosed Investors	na	na
09/29/15	bloom	QED Investors, Commerce Ventures, DST Systems, Hyde Park Venture Partners, UMB Financial	4.0	na
09/17/15	advisr	FENWAY SUMMER VENTURES	1.0	na
08/19/15	SIMPLY WALL ST	Sydney Angels	0.6	na
08/12/15	scripbox	ACCEL PARTNERS	2.5	na
08/11/15	STASH	Undisclosed Investors	1.0	na
08/04/15	Nest WEALTH	metrolandmedia Connected to your community®	1.5	na
05/05/15	digit	General Catalyst Partners; Baseline Ventures; Google Ventures; NYCA Partners	11.0	na

Source: Company websites, Capital IQ, PitchBook, FT Partners' proprietary transaction database.



# Digital Wealth Management

## Selected Financing Transactions (cont.)

Announce Date	Target	Investors / Acquirers	Size (\$ mm)	Valuation
05/04/15	 ARTIVEST	Kohlberg Kravis Roberts & Co.; FinTech Collective; RRE Ventures; NYCA Partners; Anthemis Group	\$15.0	na
04/23/15	 SIGFIG	 nyca	1.0	na
04/20/15	 eToro <small>Trading Starts Here</small>	CommerzBank; Ping An Venture Capital; Sberbank Fund	39.0	na
04/02/15	 acorns	e.venturs; Garland Capital; Greycroft Partners; Math Venture Partners; Sound Ventures	23.0	na
02/17/15	 Betterment	Francisco Partners; Bessmer Venture Partners; Menlo Ventures; Northwestern Mutual Capital	60.0	~\$500 mm
01/20/15	 motif <small>INVESTING</small>	 renren	40.0	na
11/23/14	 eToro <small>Trading Starts Here</small>	BRM Group; Ping An Capital; SBT Venture Capital; Spark Capital Partners	27.0	na
10/29/14	 PERSONAL CAPITAL	Corsair Capital; BBVA Ventures; USAA Investment Management Company; IVP; Venrock; Crosslink Capita	50.1	~250 mm
10/28/14	 wealthfront	Spark Capital; Dragoner Investment Group; Index Ventures; DAG Ventures; Greylock Partners; Ribbit Capital; The Social+Capital Partnership	64.2	~700 mm
08/14/14	 WEALTHACCESS	 Cultivation Capital	na	na
07/29/14	 nextcapital	FinTech Collective; Kelvingrove Ventures; Russell Investment Management Company; TransAmerica Ventures; VCET Capital	6.3	na
07/14/14	 UPSIDE	Cultivation Capital; Six Thirty	1.1	na
06/25/14	 nutmeg	Schroders; Balderton Capital	32.0	na
05/21/14	 FutureAdvisor	Canvas Ventures; Sequoia Capital	15.5	na
05/08/14	 motif INVESTING	JP Morgan Chase; Wicklow Capital; Balderton Capital; Goldman Sachs; Foundation Capital; Ignition Partners; Norwest Venture Partners	35.0	na
04/22/14	 WEALTHACCESS	SixThirty; Council & Enhanced TN Fund	3.0	na

Source: Company websites, Capital IQ, PitchBook, FT Partners' proprietary transaction database.





# Digital Wealth Management

## Selected Financing Transactions (cont.)

Announce Date	Target	Investors / Acquirers	Size (\$ mm)	Valuation
04/15/14	 LEARNVEST™	Northwestern Mutual Capital; Accel Partners	\$28.0	~\$250 mm
04/15/14	 Betterment	Citi Ventures; Bessemer Venture Partners; Menlo Ventures; Anthemis Group; Globespan Capital Partners; Northwestern Mutual Capital	32.0	na
04/03/14	 wealthfront	Ribbit Capital; The Social+Capital Partnership; Index Ventures; Greylock Partners; DAG Ventures	35.0	na
03/12/14	 acorns	 Jacobs Asset Management	5.5	na
02/11/14	 WEALTHACCESS	Undisclosed Investors	1.5	na
01/28/14	 nutmeg	Undisclosed Investors	na	na
01/14/14	 FlexScore™	Undisclosed Investors	0.7	na

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## VI. Company Profiles



# Digital Wealth Management

## Acorns Overview



### Landscape Category(s)

Direct-to-Consumer  
Savings / Investing  
Facilitators

### Company Overview

- CEO:** Noah Kerner
- Headquarters:** Newport Beach, CA
- Founded:** 2012
- **Acorns is an online investment management company that helps consumers invest by “rounding up” their card transactions**
    - Attempts to link spending with saving by connecting to financial accounts to invest on every transaction
    - Consumers can set recurring transfers to investment accounts and /or Invest in lump sum amounts as well
  - **The Company offers five portfolios, each made up of six ETFs depending upon risk profiles**
    - Portfolios developed with advisement of Dr. Harry Markowitz and based upon Modern Portfolio Theory
    - ETFs selected from Vanguard, BlackRock and PIMCO

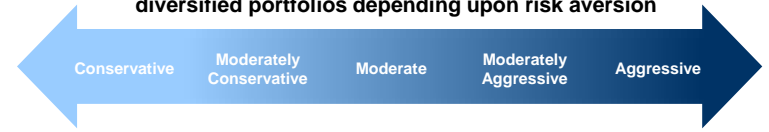
### Financing History

Date	Size (\$ mm)	Investor(s)
04/21/16	\$30	PayPal; Rakuten; Greycroft Partners; e.ventures
04/15/15	23	Garland Capital; Greycroft Partners; e.ventures; MATH Venture Partners; Sound Ventures; Great Oaks Venture Capital
03/14/14	6	Jacobs Asset Management
10/01/13	3	Groundswell Investments; Cruttenden Partners; Steelpoint Capital Partners

Source: Company website, LinkedIn, CrunchBase, PitchBook.

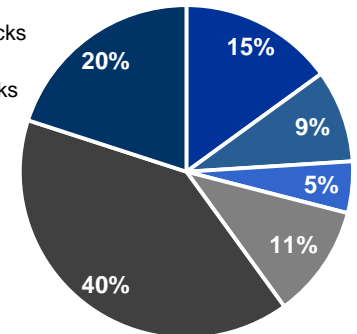
### Products & Services Overview

Customers are assigned one of five pre-constructed, diversified portfolios depending upon risk aversion



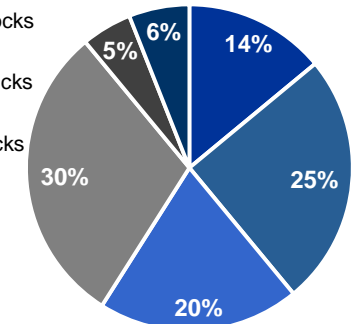
- Large Corporation Stocks
- Small Corporation Stocks
- Emerging Market Stocks
- Real Estate Stocks
- Government Bonds
- Corporate Bonds

#### Conservative Portfolio



#### Aggressive Portfolio

- Large Corporation Stocks
- Small Corporation Stocks
- Emerging Market Stocks
- Real Estate Stocks
- Government Bonds
- Corporate Bonds





# Digital Wealth Management

## Advizr Overview

### Landscape Category(s)

B2B Digital Wealth Management / White Label Solutions



### Company Overview

**Co-Founder & CEO** Hussain Zaidi  
**Headquarters:** New York, NY  
**Founded:** 2012

- Advizr offers financial planning software that can be integrated with financial advisors' systems
- Can be used by financial advisor professionals or by their clients
- A new feature, Advizr Express, allows financial advisors to quickly create an overview of a prospect's retirement progress in order to potentially gain them as a client
  - Can embed Advizr Express on websites to generate more leads
- Handles social security, pensions, annuities, RMD's and more

### Financing History

Date	Size (\$ mm)	Investor(s)
09/17/15	\$1	Fenway Summer Ventures
04/24/13	<1	Undisclosed Investor(s)

Source: Company website, Investorjunkie.com.

### Products & Services Overview

Please select the goals to include in the financial plan. You can also click on goals to rename, edit, or remove them from the plan.

- Financial advisors invite clients to connect to Advizr web app
- Client or advisor completes smart data collection wizard
- Preliminary financial plan is created to be reviewed by advisor
- Advisor can use tools to customize the client's plan
- Financial plan can be monitored in real-time

### Advizr partners:





# Digital Wealth Management

## Betterment Overview

### Landscape Category(s)

Direct-to-Consumer  
Digital Wealth  
Management

B2B Digital Wealth  
Management / White  
Label Solutions

Digital Retirement  
Solution Providers



## Betterment

### Company Overview

- CEO:** Jon Stein
- Headquarters:** New York, NY
- Launched:** 2010
- **Betterment is an automated investment service with over \$3 billion invested by over 143,000 customer accounts**
  - **The Company incorporates Modern Portfolio Theory and recommends a globally-diversified, passive portfolio of twelve asset classes tailored for risk and time horizon**
  - **Betterment invests in six stock and seven bond ETFs**
    - Focuses on value and small-cap stock ETFs suggested by Fama-French research
  - **Betterment Institutional is advisor-oriented software that automates reporting and rebalancing of client portfolios**

### Financing History

Date	Size (\$ mm)	Investor(s)
03/29/16	\$100	Investment AB Kinnevik
02/17/15	60	Bessemer Venture Partners; Francisco Partners Management; Menlo Ventures; Northwestern Mutual Capital
04/01/14	32	Anthemis Group; Bessemer Venture Partners; Citi Ventures; Globespan Capital Partners; Menlo Ventures; Northwestern Mutual Capital
09/25/12	10	Menlo Ventures; Bessemer Venture Partners; Anthemis Group
11/23/10	3	Bessemer Venture Partners

### Products & Services Overview

#### Improved Performance



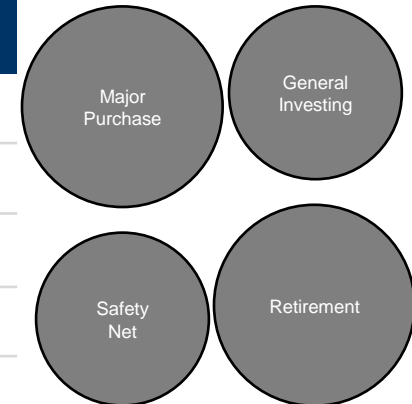
Optimized investment distribution to maximize return and minimize risk

Annual Betterment Benefit	Return Differential
Passive Investing	+1.25%
Better Diversification	+1.40%
Automated Rebalancing	+0.40%
Better Behavior	+1.25%
Total Annual Gain from Betterment	+4.30%

#### Goal-Based Investing



Select goals to define a clear target, set investment plans, and then monitor progress



### Five Different Accounts



Individual Accounts



Trust Accounts



Traditional and Roth IRA Accounts



Joint Accounts



IRA, 401(k) and 403(b) Rollover Accounts



# Digital Wealth Management

## Bloom Overview



### Landscape Category(s)

Digital Retirement Solution Providers

### Company Overview

**Co-Founder & CEO:** Chris Costello  
**Headquarters:** Leawood, KS  
**Founded:** 2013

- Bloom is an online tool for retirement planning
- The Company provides free analysis for accounts of any size
- To have Bloom monitor and regularly rebalance a 401k, fees are \$1 per month for accounts less than \$20,000 and \$15 per month for accounts greater than \$20,000
- 401k account stays at the current institution while Bloom takes over managing the account
- The Company employs bank level security with 256-bit encryption
- Currently manages more than \$300 million in assets and over 3,300 accounts

### Financing History

Date	Size (\$ mm)	Investor(s)
09/29/15	\$4	QED Investors, Commerce Ventures, DST Systems, Hyde Park Venture Partners, UMB Financial Corporation

Source: Company website.

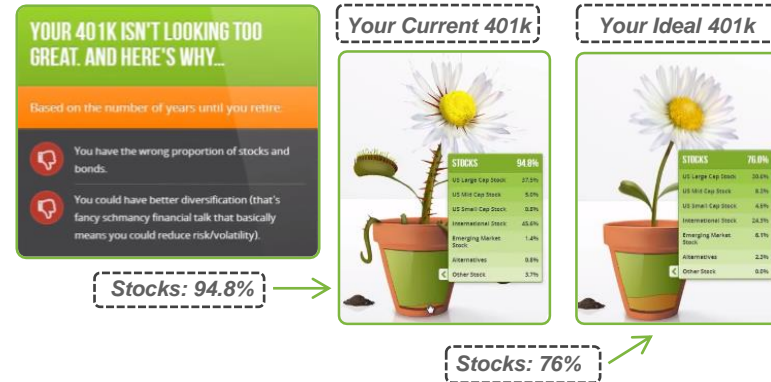
### Products & Services Overview

**5856**  
401ks  
Analyzed

**\$494,233,183**  
Total Assets  
Analyzed

**83%**  
401ks Invested  
Incorrectly

- Users answer a few key questions to get started
  - Gender?
  - Date of Birth?
  - 401k provider & login information
- Bloom analyzes users' 401ks across 25,000+ different investments
- Health of user's 401k is represented in bullet points and flower diagram comparisons



- Using an algorithm, Bloom will select the right funds and make the changes for the users
- Bloom monitors and rebalances the 401k for users quarterly





# Digital Wealth Management

## Covestor Overview

**covestor**

Acquired by  Interactive Brokers

### Landscape Category(s)

Access to New Investments / Products

**Covestor was acquired by Interactive Brokers in April 2015**

### Company Overview

**Chief Investment Officer:** Sanjoy Ghosh  
**Headquarters:** Boston, MA  
**Founded:** 2007

- Covestor provides an automated service that allows users to mirror experienced investors' trades
  - Users compare portfolio managers and find one or more whose investment style matches their preferences
- The Company has a subscriber base of over 80,000 and has surpassed \$1 billion in cumulative trade volume since its founding in 2008
- Depending on the manager and specific portfolio, Covestor charges a fee of between 0% - 2% of the assets in each account, which it splits 50/50 with the manager

### Financing History

Date	Size (\$ mm)	Investor(s)
07/07/13	\$13	Amadeus Capital; Bay Partners; Spark Capital; Union Square Ventures
08/18/11	4	Undisclosed Investors
02/18/10	4	Undisclosed Investors
04/07/08	7	Amadeus Capital; Spark Capital; Union Square Ventures
06/04/07	1	Undisclosed Investors

Source: Company website, LinkedIn, CrunchBase, PitchBook.

### Products & Services Overview



### Core Portfolios

Managers providing these low-cost portfolios utilize ETF-only rebalancing strategies providing market index exposure  
 Fees range between 0% and 1% of managed assets and investment minimums between \$5,000 and \$20,000

### Satellite Portfolios

These portfolios are actively run by portfolio managers who utilize various trading strategies and different risk profiles to generate alpha  
 Fees range between 0.5% and 2% of managed assets and investment minimums between \$10,000 and \$500,000

### Covestor Qualified Portfolios

Only accredited investors can invest in Covestor Qualified portfolios, however, these portfolios are able to utilize hedge-fund-like strategies to increase alpha  
 Management fees, plus performance fees, and investment minimums starting at \$500,000



# Digital Wealth Management

## Digit Overview

### Landscape Category(s)

Direct-to-Consumer  
Savings / Investing  
Facilitators



### Company Overview

**CEO:** Ethan Bloch  
**Headquarters:** San Francisco, CA  
**Founded:** 2013

- **Digit is a free, automated savings account platform**
  - Spending patterns are analyzed by Digit and money is automatically transferred from checking accounts to an FDIC-insured savings account at custodians Wells Fargo Bank and BofI Federal Bank
  - Money is transferred in small increments (typically \$5 - \$50) every few days to slowly build savings
- **The Company has a no-overdraft guarantee that pays back overdraft fees if they are caused by Digit**
- **Over 2,500 U.S. banks and credit unions are supported by Digit's services, with international expansion planned**
- **Digit's main communication platform is text messaging, available 24/7 for users to request transfers**
- **In its last funding round, Digit was valued at \$45.5 mm**

### Financing History

Date	Size (\$ mm)	Investor(s)
06/02/16	\$23	Ribbit Capital; General Catalyst
05/05/15	11	General Catalyst Partners; Baseline Ventures; Google Ventures; NYCA Partners
12/16/14	3	Baseline Ventures; Freestyle Capital; Upside Partnership; Google Ventures; Operative Capital

### Products & Services Overview

- **Users connect checking accounts and every few days, Digit automatically withdraws money and places it in a savings account**
- **Digit's algorithms interpret pay days, recurring bills, spending and other patterns to determine the transfer amount**
- **On average, Digit transfers \$18 two to three times per week**
  - Minimum transfers are \$0.05
  - Maximum transfers are \$150
  - Automatic transfers can be set up by users
- **There are no minimums, zero fees and unlimited transfers**



### Nine Interactive Commands

#### Savings

view savings balance

#### Balance

view checking balance

#### Recent

view recent transactions

#### Bills

view upcoming bills

#### Save

transfer to savings

#### Withdraw

transfer from savings

#### Pause

pause saving

#### Settings

adjust programming

### Commands

view all commands





# Digital Wealth Management

## Dyme Overview

### Landscape Category(s)

Direct-to-Consumer Savings / Investing Facilitators



### Company Overview

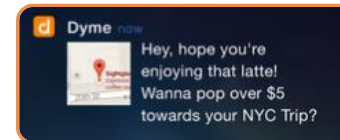
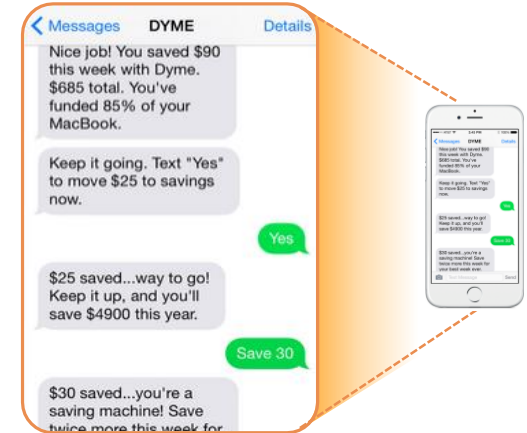
**Founder & CEO:** Joseph Prather  
**Headquarters:** San Francisco, CA  
**Founded:** 2014

- Dyme is a text-powered savings app
- By downloading the app, users can set up automatic weekly savings customized for a specific goal
  - DymeTime is a twice weekly text message that encourages users to save
- Dyme transactions are secured by industry standard 128-bit encryption and SSL protocols – account numbers are never transmitted via texts
- The Company has no history of financings to date

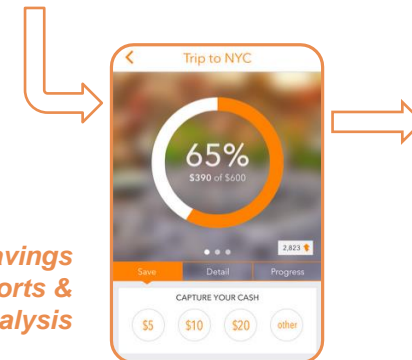
- 📄 Dyme works with existing bank accounts and is free to set up
- 📄 Users text dollar amount they wish to save – “Save \$20” to Dyme’s number
- 📄 Dyme provides offers for products at the lowest price available through partnerships

### Products & Services Overview

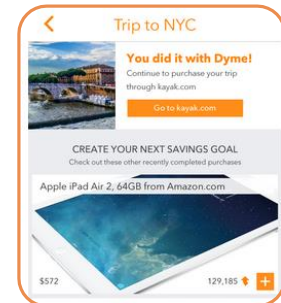
❖ *Save for a trip, starting a new business, or even an engagement ring*



❖ *SMS text reminders*



❖ *Savings Reports & Analysis*



❖ *Completed goal with product offers*





# Digital Wealth Management

## FutureAdvisor Overview



### Landscape Category(s)

Direct-to-Consumer  
Digital Wealth  
Management

B2B Digital Wealth  
Management / White  
Label Solutions

*FutureAdvisor was  
acquired by  
BlackRock in  
August 2015*

### Company Overview

**CEO:** Bo Lu  
**Headquarters:** San Francisco, CA  
**Founded:** 2010

- **FutureAdvisor is an electronic investment advisor that links investors' accounts and provides automated wealth management based on Modern Portfolio Theory**
  - Investors can retain their individual investment accounts at Fidelity or TD Ameritrade and FutureAdvisor acts as a management layer over existing accounts (will recommend portfolios that consider investors' other investments)
  - Each algorithmic trade is monitored by a real person
- **In early 2016, BBVA Compass, LPL Financial, RBC, and Saxo Bank partnered with BlackRock and FutureAdvisor to offer digital investment services <sup>(1)</sup>**

### M&A and Financing History

Date	Size (\$ mm)	Investor / Acquirer (s)
08/26/15	na	Acquired by BlackRock
05/21/14	\$16	Canvas Venture; Y Combinator; Sequoia Capital; Devonshire Investors
08/22/12	6	Sequoia Capital; Kapor Capital
08/03/10	na	Y Combinator; Great Oak Venture Capital

### Products & Services Overview

#### A free portfolio analysis and recommendation

- FutureAdvisor links accounts and analyzes investors' current portfolios
- Provides free analysis and recommendations
- Transfers investors' assets to a Fidelity or TD Ameritrade custodial account
- Automates its investment plan according to Modern Portfolio Theory and FutureAdvisor's algorithmic recommendations, reviewed by the investment team
- On-call financial advisors for investors, accessible via phone, online chat or email
- Free for the first three months
- 0.50% annual fee

Retirement Account

#### Completely free college savings accounts

- Asks questions to estimate college cost and design a plan to meet goals and budgets
- Scans all account types in the country to find the most tax-efficient and flexible investment vehicle for each investor
- Consolidates funds into a TD Ameritrade or Fidelity custodian account based on the chosen education account
- Automatically invests contributions and changes the portfolio balancing as the age and tax implications change, reducing risk closer to the target horizon date
- Disperses the funds to the requested school

Education Account

### Investment Philosophy



Invests internationally to increase diversification



Invests in low-fee index funds



Dynamic Fund Selection based on pre-existing investments and tax situations



Tax-loss harvesting for accounts with \$20,000 or more



Uses Modern Portfolio Theory to calculate the efficient frontier and maximize return at given risk levels



Automatically rebalances to avoid losses in downturns

FINANCIAL  
TECHNOLOGY  
PARTNERS

Source: Company website, LinkedIn, CrunchBase, PitchBook.

(1) Investment News.





# Digital Wealth Management

## GuidedChoice Overview

### Landscape Category(s)

Digital Retirement Solution Providers



### Company Overview

**Chief Investment Officer:** Ming Yee Wang  
**Headquarters:** San Diego, CA  
**Founded:** 1999

- **GuidedChoice is an independent advisory firm offering personalized investment & financial advice for retirement plan participants by utilizing proprietary algorithms**
- **Refer to themselves as the original “robo advisor”**
- **Back in 1999, CEO Sherrie Grabot’s catalyst for starting GuidedChoice was the idea of taking investment tools used by large companies and developing them for use by ordinary consumers**
- **Has managed over \$12 billion in retirement savings since founding**
- **The Company has no history of financing**

### Products & Services Overview

#### GuidedSavings



- \$99 annual fee
- Set retirement goals and receive advice on how to meet them
- Include all household savings accounts
- Different scenarios are played out to compare options and tradeoffs
- Personal Savings Guide

#### GuidedIRA



- For 401k accounts that were left behind; for someone who does not have a retirement plan or for extra “cushion” outside of employee sponsored plan
- Fully managed account with rebalancing
- Secure third party administration of funds
- Low cost investment options in portfolio

#### GuidedSpending



- \$299 annual fee
- Set retirement goals and receive advice on how to meet it
- Include household savings accounts
- Different scenarios are played out to compare options and tradeoffs
- Personal Savings Guide

#### QuickAdvice



- Based on advice engine, answer questions about current retirement savings and goals for free advice within minutes



# Digital Wealth Management

## Hedgeable Overview



### Landscape Category(s)

Direct-to-Consumer  
Digital Wealth  
Management

B2B Digital Wealth  
Management / White  
Label Solutions

### Company Overview

**CEO:** Michael Kane  
**Headquarters:** New York, NY  
**Founded:** 2009

- Hedgeable is an investment advisor that seeks to widen the average investor's investing solutions and focuses on downside protection
  - According to Hedgeable's own "Robo-Index," Hedgeable outperformed the two largest robo advisors in 2014 with net-of-fee returns of 7.4% and 4.2%, respectively
  - Hedgeable estimates the Company can add an additional 5.63% to investors' portfolios each year
- The Company only invests in stocks ETFs and does not use leverage, options, futures, derivatives, nor shorting
  - Offers hedging for accounts \$100,000 and greater
- Hedgeable offers IRAs, 401(k)s, Rollovers, Taxable, Joint, Trust and Corporate Accounts

### Financing History

Date	Size (\$ mm)	Investor(s)
09/01/14	\$2	Route 66 Ventures
10/02/13	<1	SixThirty

### Products & Services Overview

#### Portfolio Features



- The algorithm can customize client portfolios in over 200 unique ways
- Clients are currently invested in roughly 70 stocks and 50 ETFs



- Clients are currently invested in 10 different regions of the world, with the three highest concentrations in:
  - United States (83.3%)
  - Developed Europe (4.81%)
  - Latin America (3.38%)



- Offers impact investing with no additional fee
  - Female run companies
  - Alternative energy companies
- High-income investing for no additional fee
  - ETFs, MLPs, REITs and individual stocks



- States it is the only automated investing platform with alternative asset classes
  - Private equity (for accredited investors)
  - Bitcoin
  - Real estate
  - Commodities



# Digital Wealth Management

## Huygens Capital Overview

### Landscape Category(s)

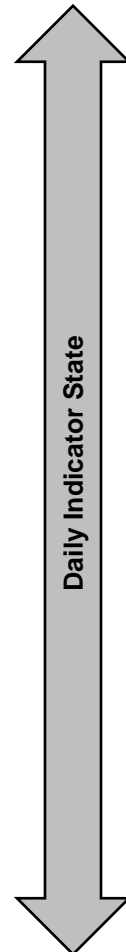
Direct-to-Consumer  
Digital Wealth  
Management



### Company Overview

- CEO:** Walt Vester
- Headquarters:** New York, NY
- Founded:** 2011
- Huygens Capital is an automated “tactical” asset manager catering to retail investors
  - The Company’s strategies are designed to grow investment portfolios with equity exposure and downside risk protection, while also offering the liquidity, transparency, and diversification that comes from investing in broad index ETFs
  - Questionnaires are given to investors to determine a specific strategy, differing by risk tolerance and investment objective
    - Strategies are designed for different risk / return trade-offs
  - \$20,000 account minimum; 1.25% annual management fee
  - The Company has no history of previous financing activity

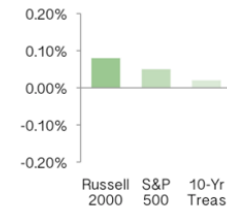
### Products & Services Overview



#### Products & Services Overview

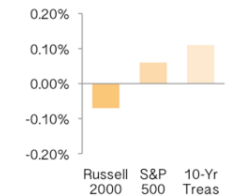
#### Offense

Predict lower than average likelihood of downside volatility



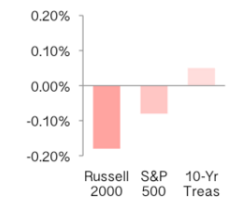
#### Caution

Market in transition; difficult to predict



#### Defense

Predict higher than average likelihood of downside volatility





# Digital Wealth Management

## iQuantifi Overview



### Landscape Category(s)

B2B Digital Wealth Management / White Label Solutions

### Company Overview

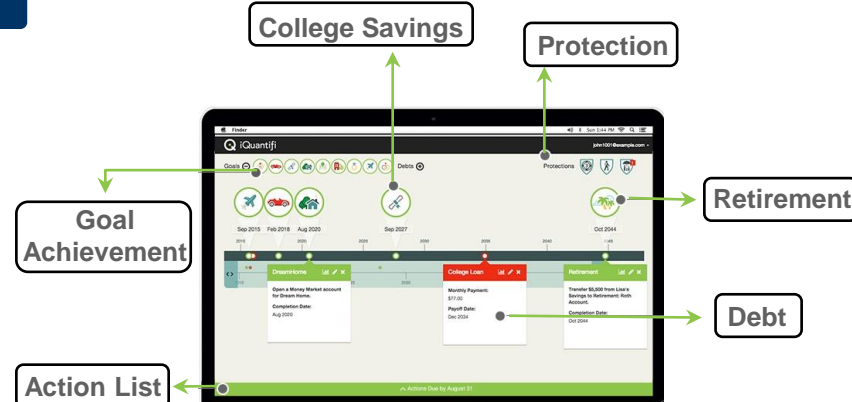
**Co-Founder & CEO** Tom White  
**Headquarters:** Franklin, TN  
**Founded:** 2009

- iQuantifi is an online RoboPlanner™ that provides customers with an automated and personalized financial plan**
  - The software can be used by institutions to provide access for their customers
  - Online signup process begins with a series of questions regarding family income, expenses, account balances, investment experience, debt, and life goals
- Link bank accounts and investments or manually enter balances**
- Geared towards Millennials that can't afford the services of a traditional financial advisor**
- Price: \$9.95 per month or \$89 for one year subscription**

### Financing History

Date	Size (\$ mm)	Investor(s)
12/02/14	\$1	Undisclosed Investor(s)

### Products & Services Overview



- **Create goals such as “Buy a New House” and “College Savings”**
- **Prioritize goals and iQuantifi creates payment / savings plans to meet the goal within user’s timeline**







# Digital Wealth Management

## Jemstep Overview



### Landscape Category(s)

B2B Digital Wealth Management / White Label Solutions

*Jemstep was acquired by Invesco in January 2016*

### Company Overview

- CEO:** Kevin Cimring  
**Headquarters:** Los Altos, CA  
**Founded:** 2008
- Jemstep operates Jemstep Advisor Pro, providing investment advisors with robo-technology for client engagement, onboarding and service delivery
    - Customizes the platform for each client
    - Allows for easy onboarding of a variety of accounts, including millennial, mass affluent and high-net worth clients
  - Jemstep integrates with Fiserv to allow clients to link all investment accounts and then provides a personalized portfolio analysis for clients
    - Also integrated with Orion, Salesforce and DocuSign for easy usage with existing back-office and CRM products and workflows
  - Includes the firm's recommended portfolio, comparisons of recommended portfolios with current portfolios, back-testing and other optional analysis

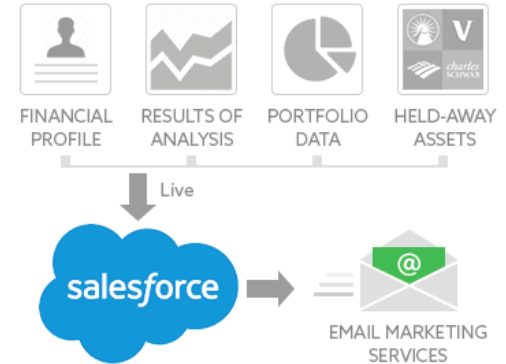
### M&A and Financing History

Date	Size (\$ mm)	Investor / Acquirer (s)
01/12/16	na	Acquired by Invesco
10/03/13	\$11	Caleo Capital
01/01/08	5	Undisclosed Investors

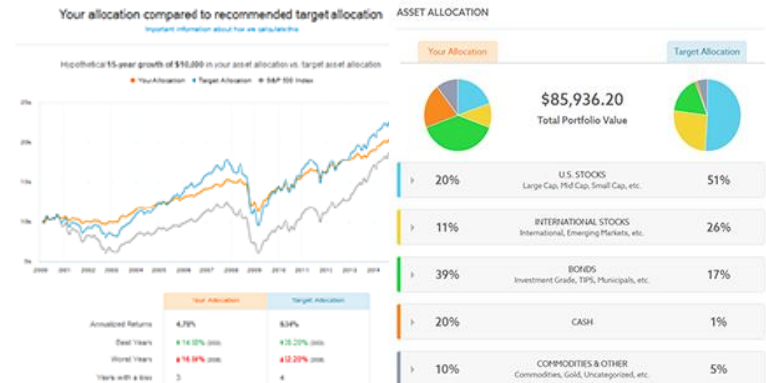
Source: Company website, LinkedIn, CrunchBase, PitchBook.

### Products & Services Overview

#### CRM and Email Marketing Integration



Perform analysis and display model portfolios and comparisons to convert potential customers; allows for the aggregation of accounts to target larger amounts of assets





# Digital Wealth Management

## LearnVest Overview



### Landscape Category(s)

Direct-to-Consumer with  
Advisor Assistance

*LearnVest was acquired by Northwestern Mutual in March 2015*

### Company Overview

**CEO:** Alexa von Tobel  
**Headquarters:** New York, NY  
**Founded:** 2007

- LearnVest is an online personal wealth management and financial planning platform
- At launch, the site was originally marketed towards the female demographic, educating subscribers on the topic of personal finance, money and providing lifestyle tips for living on a budget; the company has since broadened its market to the general population, addressing the needs of both men and women
- The Company has 150 employees between its New York and Arizona offices
- LearnVest was acquired by Northwestern Mutual in 2015 and operates now as a wholly-owned subsidiary while maintaining its brand

### Financing History

Date	Size (\$ mm)	Investor(s)
04/15/14	\$28	Accel Partners; Northwestern Mutual; American Express Ventures
07/26/13	17	Accel Partners; American Express Ventures; Conversion Capital; Claritas Capital
05/27/11	19	Accel Partners; PKS Capital; Rose Tech Ventures; Circle Financial Group
04/01/10	5	Accel Partners; Richmond Management; Rose Tech Ventures

Source: Company website, LinkedIn, CrunchBase, PitchBook.

### Products & Services Overview







# Digital Wealth Management

## Motif Investing Overview

### Landscape Category(s)

Access to New Investments / Products



### Company Overview

**CEO:** Hardeep Walia

**Headquarters:** San Mateo, CA

**Founded:** 2010

- Motif Investing is a trading platform that allows investors to act on investing concepts like following trends or investment styles
- The Company creates weighted baskets called “motifs” that are comprised of up to 30 stocks or ETFs representing investment concepts like “Ivy League endowment” style or “robotics revolution” trends
  - 151 professionally built motifs
  - 9,100+ published community-created motifs
  - 130,000+ motifs customized by investors
  - \$9.95 per motif to purchase

### Financing History

Date	Size (\$ mm)	Investor(s)
01/20/15	\$40	RenRen
05/08/14	35	JP Morgan; Wicklow Capital; Balderton Capital; Goldman Sachs; Foundation Capital; Ignition Partners; Norwest Venture Partners
02/28/13	25	Goldman Sachs; Foundation Capital; Ignition Partners; Norwest Venture Partners
07/11/11	20	Foundation Capital; Ignition Partners; Norwest Venture Partners
09/27/10	6	Foundation Capital; Norwest Venture Partners

Source: Company website, LinkedIn, CrunchBase, PitchBook.

### Products & Services Overview

#### Account Information

- No monthly fees, unlike mutual funds and ETFs
- \$9.95 flat fee per motif (trade up to 30 stocks within a motif)
- \$4.95 per stock/ETF to buy individual stocks or ETFs in or outside of owned motifs
- Transfer, regulatory transaction and IRA closure fees
- No account minimum, but \$250 to invest in a motif
- Margin trades require a minimum balance of \$2,000

#### Motif Selection

- Invest in professionally-constructed motifs or motifs created by other investors, or create a personal motif
- Choose the securities to add to a motif and adjust the weights for no additional fee

#### Rebalancing

- Rebalancing is not automatic, but Motif Investing notifies investors of changes to motifs and investors will have the option to rebalance
- Rebalancing is directed to follow the motif’s original investment theme in order to ensure constituent consistency
- Rebalancing may occur at any time and frequency

#### Investing DNA Test

- Asks a series of questions regarding risk preferences, age, time horizon and investment interests
- Reports suggested results of portfolio asset allocation





# Digital Wealth Management

## MyVest Overview

### Landscape Category(s)

B2B Digital Wealth Management / White Label Solutions



### Company Overview

**CEO** Anton Honikman  
**Headquarters:** San Francisco, CA  
**Founded:** 2003

- MyVest is a provider of a comprehensive online wealth management platform
- The Company offers a cloud-based, wealth and portfolio management platform that allows financial advisors to provide customized services to their clients
- MyVest's core offering is its Strategic Portfolio System (SPS), a cloud-based software and services platform that enables the provision of holistic wealth management across the enterprise in a single, unified system
- STP also consolidates multiple managed account programs into a single system, enabling wealth management firms to bridge solos, simplify infrastructure and automate processes
- MyVest serves the following target customers:



### Products & Services Overview

#### Strategic Portfolio System

Monitors every client's portfolio daily and automatically generates orders to reduce risk, increase after-tax return and comply with clients' personal restrictions, risk tolerance and preferences



#### Unified Platform

Offers comprehensive functionality from proposal generation to daily portfolio monitoring and optimization to performance reporting





# Digital Wealth Management

## NextCapital Overview

### Landscape Category(s)

Digital Retirement Solution Providers

B2B Digital Wealth Management / White Label Solutions



### Company Overview

**CEO:** John Patterson

**Headquarters:** Chicago, IL

**Founded:** 2013\*

**Approach:** Enterprise digital advice

**Description:** NextCapital partners with world class institutions to deliver personalized planning and managed accounts to individual investors across 401(k) and retail channels

**Team:** NextCapital was founded by fin-tech pioneers responsible for building the first 401(k) managed accounts platform, one of the first online banks, and the first digital wealth manager

**Partners:** Includes Russell Investments & Transamerica

\*Predecessor company, BusinessLogic, founded in 1998

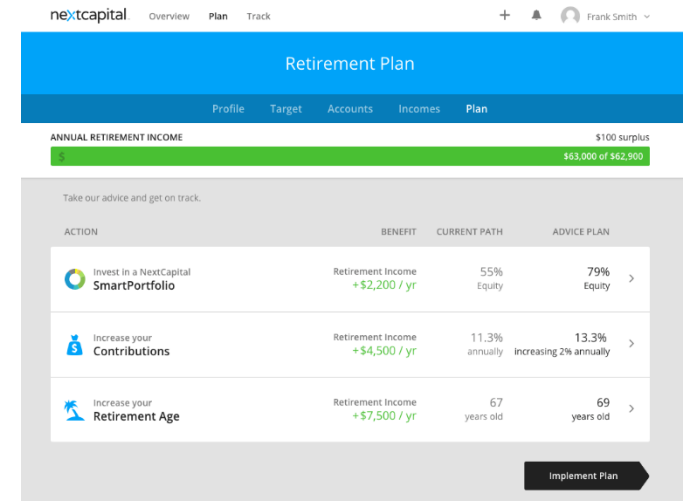
### Financing History

Date	Size (\$ mm)	Investor(s)
12/17/15	\$16	AllianceBernstein; Manulife Financial Corporation; Route 66 Ventures
07/29/14	6	Transamerica Ventures; Russell Investments; Kelvingrove Partners; Vermont Seed Capital Fund; FinTech Collective

Source: Company website, LinkedIn, CrunchBase, PitchBook.

### Products & Services Overview

- **Partner Need** - NextCapital enables institutional partners to cost-effectively bring to market a full-stack digital advice solution, fully configurable to each partner's needs:
  - Custom user experience
  - Proprietary or third party investment methodology
  - Self-service and advisor-assisted service models
  - Multi-channel – supporting 401(k), IRA, and retail
  - Integrations to 401(k) record keepers and retail custodians
- **Consumer Need** – NextCapital provides investors with an integrated platform for automated personal financial advice across 401(k) and retail accounts:
  - Holistic portfolio tracking (*account aggregation*)
  - Comprehensive planning
  - Savings advice
  - Portfolio management





# Digital Wealth Management

## Nutmeg Overview

### Landscape Category(s)

International Digital Wealth Management



### Company Overview

**CEO:** Martin Stead  
**Headquarters:** London, UK  
**Founded:** 2011

- **Nutmeg is an online discretionary investment management company based in the United Kingdom**
  - Regulated by the Financial Conduct Authority and endorsed by the UK Government
- **The Company focuses on diversifying investments in ETFs and bonds, while also investing in more global options at higher levels of risk**
  - Manages 10 portfolios, from “cautious” to “aggressive” and invests across different ETFs
- **Nutmeg also offers the ability to start and manage personal pensions on the platform**

### Financing History

Date	Size (\$ mm)	Investor(s)
06/25/14	\$32	Schroders; Balderton Capital
11/11/13	8	Undisclosed Investors
06/18/12	7	Pentech Ventures; Draper Associates, Armada Investment Group

### Products & Services Overview



#### Diversified

Nutmeg builds a robust, diversified investment portfolio that spreads risk across various asset classes, geographies and industry sectors



#### Low Cost

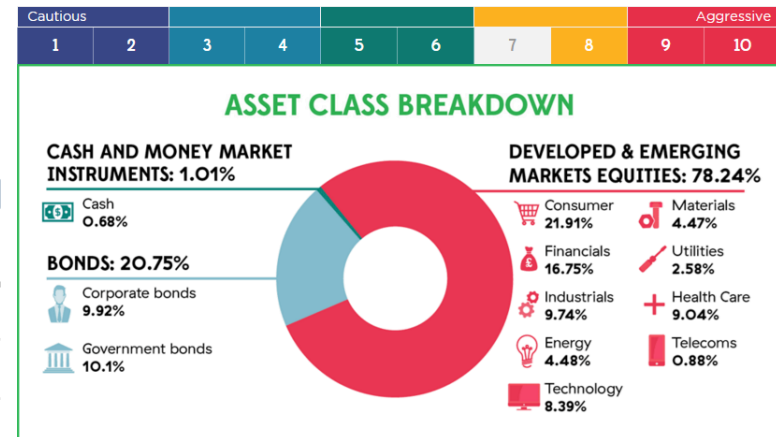
Keep investments simple and transparent by using exchange-traded funds (ETFs) that are low cost, highly liquid, and track indices



#### Expert Managed

Investment experts on the Nutmeg team monitor and rebalance portfolios to keep investment goals on track

*When an investor creates a Nutmeg investment account, the platform determines which of the 10 risk-based portfolios fits best; this is based on the amount invested, degree of risk tolerance and time horizon for the investment*





# Digital Wealth Management

## Personal Capital Overview

### Landscape Category(s)

Direct-to-Consumer with  
Advisor Assistance

## PERSONAL CAPITAL

### Company Overview

**CEO:** Bill Harris  
**Headquarters:** Redwood City, CA  
**Founded:** 2009

- Personal Capital offers free software to track financial investments as well as a full wealth management service
  - Free financial software for all registered users
  - Wealth management service provides professional financial advisors to clients, with special services for clients holding over \$1 million with Personal Capital
- Personal Capital has over 1 million registered users, tracking \$239 billion, and \$2.4 billion in assets under management


### Financing History

Date	Size (\$ mm)	Investor(s)
05/19/16	\$75	IGM Financial
10/28/14	50	BBVA Ventures; Corsair Capital; CrossLink Capital; Institutional Venture Partners; United Services Automobile Association; Venrock
05/30/13	27	BlackRock; Correlation Ventures; CrossLink Capital; Institutional Venture Partners; Venrock
07/26/11	20	Institutional Venture Partners; Venrock
06/18/10	10	Institutional Venture Partners


### Products & Services Overview

#### Wealth Management Service


Personal Capital's Technology is combined with personal advisory services




An advisor calls to discuss goals, risk tolerance, time horizon, and retirement planning



The advisor analyzes current and prior finances and develops a personal strategy




The advisor presents the financial plan, and opens an account at Pershing, a third party custodian




Personal Capital implements the strategy, monitors and rebalances the portfolio, and delivers requested reports

#### Private Client Concierge


Clients investing \$1 million with Personal Capital receive:



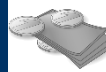
Direct access to a Certified Financial Planner™ and 24/7 access to licensed advisors



Quarterly financial reviews and the ability to sit in on Investment Committee conference calls



Partnership with Bank of New York Mellon to establish non-purpose credit lines and provide mortgage access and account check writing



Fee Structure:

- First \$3 mm: 0.79%
- Next \$2 mm: 0.69%
- Next \$5 mm: 0.59%
- Over \$10 mm: 0.49%

Source: Company website, LinkedIn, CrunchBase, PitchBook.



# Digital Wealth Management

## Riskalyze Overview

### Landscape Category(s)

B2B Digital Wealth Management / White Label Solutions



### Company Overview

**CEO** Aaron Klein  
**Headquarters:** Auburn, CA  
**Founded:** 2011

- Riskalyze invented the Risk Number™ - the first quantitative system to identify a client's risk tolerance to help better align their portfolios with their expectations
- Riskalyze's software and technology serve RIA's, hybrid advisors, independent broker-dealers, RIA networks, custodians, clearing firms and asset managers
- Offers three different products: Riskalyze for determining clients' risk, Autopilot for client portals and automated asset management and Compliance Cloud, compliance-related solution

### Financing History

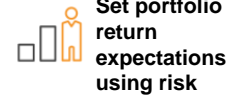
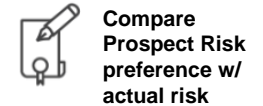
Date	Size (\$ mm)	Investor(s)
01/14/15	\$2	Undisclosed Investor(s)
04/08/14	<1	Undisclosed Investor(s)
01/28/14	<1	Undisclosed Investor(s)
07/15/13	<1	Undisclosed Investor(s)
06/15/12	<1	Undisclosed Investor(s)

Source: Company website.

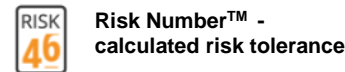
### Products & Services Overview



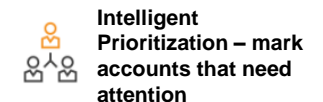
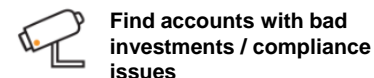
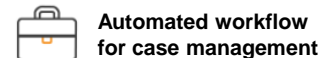
#### Risk Alignment Platform



#### End-to-End Solution for Automated Asset Management & Client Self-Service



#### Big Data Analytics for Compliance







# Digital Wealth Management

## SigFig Overview

### Landscape Category(s)

Direct-to-Consumer  
Digital Wealth  
Management

B2B Digital Wealth  
Management / White  
Label Solutions



### Company Overview

- CEO:** Mike Sha  
**Headquarters:** San Francisco, CA  
**Founded:** 2011
- **SigFig's platform aggregates investments into a single dashboard and allows users to analyze their portfolios**
    - The automated platform detects portfolio inefficiencies, gives advice on investments and tailors portfolios keeping them balanced and diversified
  - **SigFig will build custom portfolios, optimize existing portfolios and / or ensure tax efficiency**
    - The Company builds diversified portfolios from low cost funds with an average expense ratio (from the fund) of 0.07% to 0.15% depending on the brokerage
  - **The platform supports individual accounts, joint accounts, various IRAs, and 401ks**
  - **Over 800,000 people are using SigFig to manage and track over \$350 billion in investments**

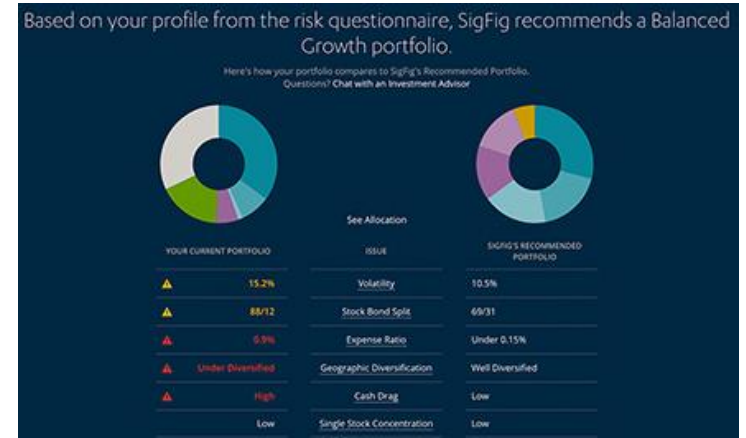
### Financing History

Date	Size (\$ mm)	Investor(s)
05/16/16	\$40	Eaton Vance; Comerica Bank; New York Life; Santander InnoVentures; and UBS
04/22/15	1	NYCA Partners
07/02/13	15	Bain Capital Ventures; Union Square Ventures
10/01/07	3	DCM

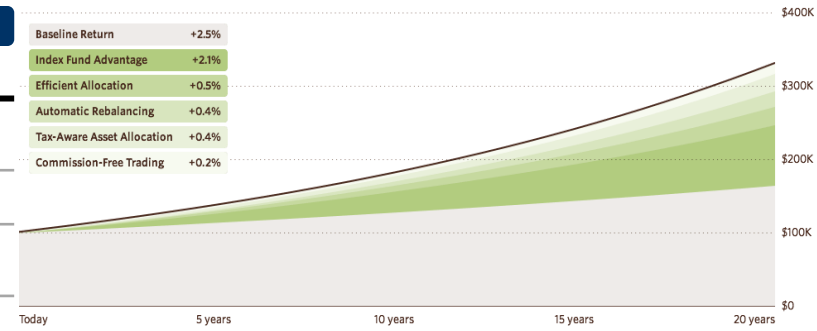
Source: Company website, LinkedIn, CrunchBase, PitchBook.

### Products & Services Overview

*The portfolio guidance tool provides a free portfolio analysis with personalized recommendations*



*SigFig attempts to increase long-term net returns by reducing fees and avoiding common investing mistakes with its automated asset management algorithm.*



100



# Digital Wealth Management

## Stash Overview

### Landscape Category(s)

Direct-to-Consumer Savings / Investing Facilitators



### Company Overview

- Co-Founder & CEO:** David Ronick
- Headquarters:** New York, NY
- Founded:** 2015
- Stash Invest is a free app for personal investing based on one's interests, goals and beliefs
  - Most investments are ETF's created and managed by professional firms like Vanguard and BlackRock
  - Stash's minimum investment is only \$5 because it offers fractional ETF shares
    - One stock is available: the "Roll with Buffett" option which buys shares of Warren Buffett's Berkshire Hathaway
  - Through connected social networks, users can view friends' investments, but not \$ amount
  - No commissions
  - Fees are \$1 per month for accounts with less than \$5,000 & .25% per year for accounts over \$5000
  - Stash is a Registered Investment Advisor and provides bank-grade security
  - Securities are offered through Apex Clearing, member of FINRA, NYSE and SIPC

### Financing History

Date	Size (\$ mm)	Investor(s)
08/11/15	\$1	Undisclosed Investors

### Products & Services Overview



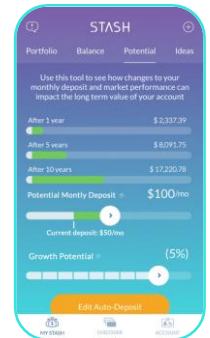
Portfolio



Balance



Potential



Choose from 30 investments categorized in funds such as "American Innovators" "Global Citizen" and "Clean & Green"



Users answers initial questions to determine investor type: conservative, moderate or aggressive  
Stash virtual advisor will help guide users with advice, support and recommendations



Milestones and notifications help users learn while building investing habits







# Digital Wealth Management

## TradeKing Advisors Overview



### Landscape Category(s)

Direct-to-Consumer  
Digital Wealth  
Management

TradingKing was  
acquired by Ally  
Financial in April  
2016

### Company Overview

**CEO:** Richard Hagen  
**Headquarters:** Charlotte, NC  
**Founded:** 2005

- TradeKing is an online brokerage that offers trading services in options, stocks, ETFs, mutual funds, fixed income and foreign exchange funds
- TradeKing Advisors works with deeply qualified professionals at Ibbotson Associates, an SEC-registered investment advisor and wholly owned subsidiary of Morningstar, to provide asset allocation, portfolio construction and monitoring services for the TradeKing Advisors portfolios

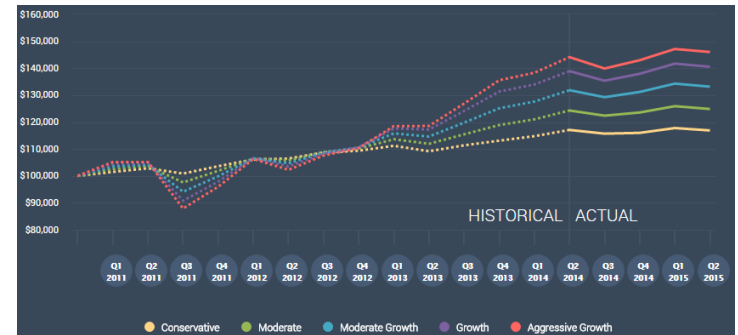
### Financing History

Date	Size (\$ mm)	Investor(s)
09/01/12	\$7	NXT Capital Venture Finance
07/02/10	5	Undisclosed Investor
08/24/06	6	Battery Ventures; MMP International; OCA Venture Partners
03/31/05	5	MMP International; OCA Venture Partners

### Products & Services Overview

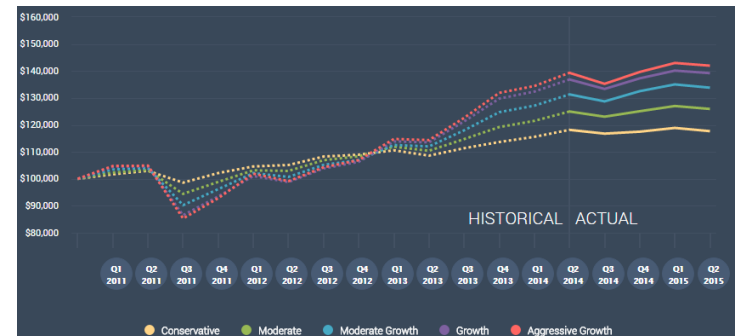
#### Core Portfolio

- Foundation for long-term growth
- Automatically adjusted when needed
- \$500 investment minimum; \$1 monthly fee for balances below \$5,000 and 0.25% annual fee for balances \$5,000+



#### Momentum Portfolio

- Responds to market ups and downs
- Reviewed monthly for new investments
- \$5,000 investment minimum; \$0.50% annual advisory fee



FINANCIAL  
TECHNOLOGY  
PARTNERS

Source: Company website, LinkedIn, CrunchBase, PitchBook.





# Digital Wealth Management

## Trizic Overview

### Landscape Category(s)

B2B Digital Wealth Management / White Label Solutions



### Company Overview

**Founder & CEO** Brad Matthews  
**Headquarters:** San Francisco, CA  
**Founded:** 2011

- Trizic provides enterprise software and technology for digital investing to wirehouses, brokerages, asset managers, banks and Registered Investment Advisors
- The Company's main solution, Trizic Accelerator, is a cloud-based platform using rule-based logic to execute trades for ETFs, mutual funds and equities
- Built as an end-to-end digital advisory service, Trizic Accelerator provides 24/7 access to clients for account information, portfolio holdings, performance and statements
- Trizic Accelerator helps financial professionals automate their clients accounts and investment portfolios

### Financing History

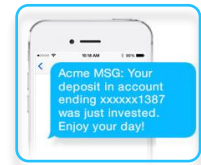
Date	Size (\$ mm)	Investor(s)
03/20/15	\$2	Operative Capital

Source: Company website.

### Products & Services Overview

#### For the Client

- Online Onboarding Process
- Money Transfer
- Performance Reporting
- Text Message Updates
- Portfolio Information



#### For the Firm

- Customizable Client interface
- Model Based Trading
- Tax-Optimized Portfolio Management
- Automated Trading and Rebalancing
- Intelligent Cash Management
- Customized Benchmarks
- Client Billing
- Compliance Reporting





# Digital Wealth Management

## Upside Overview



### Landscape Category(s)

B2B Digital Wealth Management / White Label Solutions

*Upside was acquired by Envestnet in February 2015*

### Company Overview

- Co-Founder & CEO** Tom Kimberly
- Headquarters:** San Francisco, CA
- Founded:** 2012
- Upside is financial advisor software offering a managed account platform that uses algorithms to advise, manage and serve clients
    - Fully automated, white label platform with client and advisor portals
    - Upside helps Registered Investment Advisors (RIAs) to compete against robo advisors
  - Upside's passive investment strategy uses Modern Portfolio Theory to create portfolios balanced for volatility and return
  - Upside is for investment professionals and not indented for private investor use

### Financing History

Date	Size (\$ mm)	Investor(s)
02/24/15	\$3	Acquired by Envestnet
07/14/14	1	Cultivation Capital; SixThirty
12/30/13	1	Undisclosed Investor(s)
10/01/13	<\$1	SixThirty

Source: Company website.

### Products & Services Overview

Upside aims to allow RIA's the ability to serve consumers that are in the "Emerging Mass Affluent" class

- Upside describes them as "young, college educated, tech savvy professionals" that have significant income but not enough savings yet to be considered a profitable prospect by RIA standards / account minimums
- Upside allows RIA's to take on these "emerging affluent" customers that will most likely grow to become "high net worth clients"

<p><b>Paperless Account Opening</b></p>	<p><b>Portfolio Selection</b></p>	<p><b>Automated Trading</b></p>
<p><b>Automated Rebalancing</b></p>	<p><b>Client Billing</b></p>	<p><b>Client Portal</b></p>
<p><b>Client Communication</b></p>	<p><b>Advisor Portal</b></p>	<p><b>Metrics &amp; Analysis</b></p>



# Digital Wealth Management

## Vanare Overview

### Landscape Category(s)

B2B Digital Wealth Management / White Label Solutions



### Company Overview

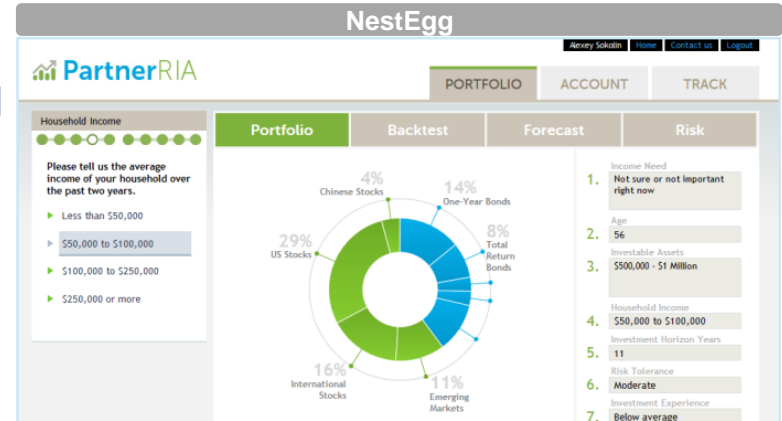
**CEO:** Richard Cancro  
**Headquarters:** New York, NY  
**Founded:** 2013

- Vanare is a next-generation wealth management platform built on robo advisor DNA
- With the acquisition of NestEgg Wealth in late 2014, Vanare launched the first-ever fully integrated online and traditional wealth management solution which seamlessly includes a customizable robo advisor option along with prospect and client management including client reporting, and flexibility across workflows, data and usability.
- With Vanare | NestEgg, RIAs can build client relationships through both traditional face-to-face advice, as well as a completely digital, low-touch interaction

### Financing History

Date	Size (\$ mm)	Investor(s)
11/18/15	\$4.5	Undisclosed Investors

### Select Product Overview: Roboadvisor



- NestEgg provides model portfolio building, trading / rebalancing, account opening and Vanare client management functionalities to support wealth managers
- Integration directly with custodians to automate and scale a business, providing operational leverage and efficiency
- Plug-and-play solution that is private-labeled with a fully configurable investment philosophy, investment profiling system, and branding
- Clients and prospects visit the website, receive tailored portfolio recommendations based on RIA models, and perform sophisticated analytics, like stress-testing and Monte Carlo simulations
- Advisors have access to full enterprise platform to support all channels, including portfolio management, trading and rebalancing, investment policy statements, online account opening, billing and compliance
- Products available via API for firms designing client experience or integrating into existing offerings

Source: Company website, LinkedIn, CrunchBase, PitchBook.








# Digital Wealth Management

## Vanare Overview (cont.)

Landscape Category(s)

B2B Digital Wealth Management / White Label Solutions

Vanare acquired NestEgg Wealth in December 2014

	Product Name	Product Features
Integrated Platform	 VANARE	<ul style="list-style-type: none"> <li>Portfolio management</li> <li>Trading and rebalancing</li> <li>Client and prospect management</li> <li>Investment policy statements</li> <li>Online account opening</li> <li>Billing and Compliance</li> </ul>
Roboadvisor	 NESTEGG	<ul style="list-style-type: none"> <li>Customizable models, asset classes and questionnaires</li> <li>Private-labeled client portal</li> <li>Online account opening, supporting ACH and ACAT</li> <li>Investment analytics</li> <li>Performance reporting</li> <li>Advisor platform for prospect and client management</li> </ul>
API	 SYNAPSE	<ul style="list-style-type: none"> <li>Full Vanare   NestEgg functionality to track, analyze and support your custom end-client front-ends</li> <li>Functions available for each element of user experience</li> <li>RESTful API / JSON format</li> <li>User authentication via Oauth2</li> </ul>
Online Account Opening	 SPARK	<ul style="list-style-type: none"> <li>Support for 14 different account types, including individual, joint, IRA and trust accounts</li> <li>Choice of electronic signature or validated printed documents</li> <li>Full visibility into process with easy-to-track dashboards</li> <li>Custodian and advisor documents easily combined into a single digital envelope</li> </ul>
Billing	 FLOW	<ul style="list-style-type: none"> <li>Quarterly and on-demand billing</li> <li>Client and advisor fee schedules</li> <li>Support for Household-level pricing with flexible tiers</li> <li>Automated hierarchy of defaults</li> <li>Ability to exclude from billing securities, sleeves and accounts</li> <li>Support for UMAs and SMAs</li> </ul>



# Digital Wealth Management

## Wealthfront Overview



### Landscape Category(s)

Direct-to-Consumer  
Digital Wealth  
Management

### Company Overview

- CEO:** Adam Nash
- Headquarters:** Palo Alto, CA
- Founded:** 2011
- **Wealthfront is an automated investment service with over \$2.6 billion in client assets**
  - **Through development with Drs. Burton Malkiel and Charles Ellis, Wealthfront manages a diversified, periodically rebalanced portfolio of ETFs for investors**
    - Seeks to minimize tracking error and cost
  - **A portfolio of \$100,000 has fees under \$20 per month**
  - **Manages employee accounts of Facebook, Google, Palantir, Twitter and the San Francisco 49ers**

### Financing History

Date	Size (\$ mm)	Investor(s)
10/28/14	\$64	Spark Capital; Dragoneer Investment Group; Index Ventures; DAG Ventures; Greylock Partners; Ribbit Capital; The Social+Capital Partnership
04/02/14	35	Ribbit Capital; The Social+Capital Partnership; Index Ventures; Greylock Partners; DAG Ventures
03/20/13	20	Index Ventures; The Social+Capital Partnership; Greylock Partners; DAG Ventures
12/15/09	8	DAG Ventures

### Products & Services Overview

#### Passive Investing



- **Invests in index funds for infrequent trading**
  - Reduces trading costs for Wealthfront
- **Attempts to avoid the behavioral biases of market-timing and directional bets**

#### Tax Aware Asset Allocation



- **Tax-inefficient assets like REITs and taxable bonds placed into retirement accounts to take advantage of tax-free compounding**
- **Tax-efficient assets in taxable accounts**

#### Diversified Portfolio



- **11 asset classes including U.S. and international stocks, natural resources, and bonds**
- **Attempts to decrease volatility by investing across asset classes and by rebalancing to improve risk-adjusted returns**

#### Tax-Loss Harvesting



- **Harvests previously unrecognized investment losses to offset taxes, improving performance by up to 1% per year**
- **Available for all accounts**



# Digital Wealth Management

## WiseBanyan Overview

### Landscape Category(s)

Direct-to-Consumer  
Digital Wealth  
Management



### Company Overview

**CEO:** Herbert Moore & Vicki Zhou  
**Headquarters:** New York, NY  
**Founded:** 2013

- WiseBanyan is an online financial advisor providing professional wealth management services to individuals and institutions
  - Offers zero fees and commission services
  - Customers have the option to opt into paid services
- The Company offers advisory services ranging from designing, recommending and managing various investment portfolios to help clients achieve short and long-term financial goals

### Financing History

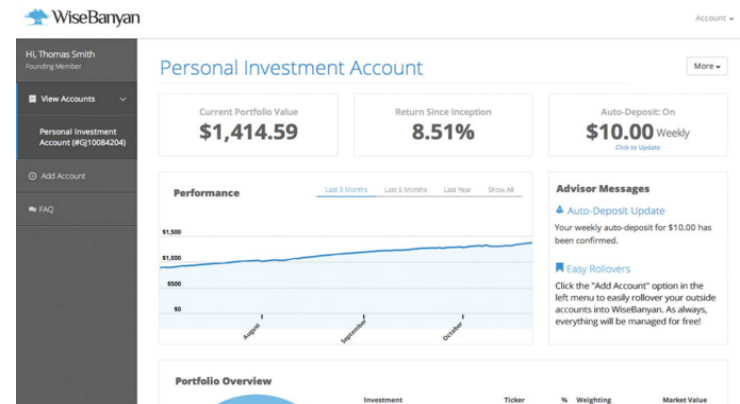
Date	Size (\$ mm)	Investor(s)
02/04/15	\$4	Galvanize; InnoSpring; Sorenson Legacy Foundation; VegasTechFund; VIIcap Investments

### Products & Services Overview

WiseBanyan's wealth management platform is designed to minimize fees and encourage people to invest sooner to maximize wealth through compounding interest

- \$0 Management Fees
- \$0 Trading Fees
- \$0 Rebalancing Fees

Portfolios are designed by the WiseBanyan's investment team and built to maximize after-tax, real investment returns while providing a personalized approach for individual investor preferences



Source: Company website, LinkedIn, CrunchBase, PitchBook.



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## VII. Selected Transaction Profiles



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## **Personal Capital Raises \$75 Million in Series E Financing**



# Personal Capital Raises \$75 Million in Series E Financing

## Transaction Summary

### Transaction Summary

- On May 19, 2016, Personal Capital announced that it had received Series E financing from Canada-based IGM Financial, Inc.
  - IGM Financial has invested \$50 mm and has agreed to invest another \$25 mm within the next year
  - IGM Financial is a member of the Power Financial Corporation group of companies
- According to Personal Capital, this financing results in a post-money valuation of approximately \$500 mm
  - This valuation is double Personal Capital's valuation during its Series D round of financing
- As a result of this transaction, Jeff Carney, CEO and President of IGM Financial, will be joining Personal Capital's Board of Directors

### Transaction Rationale

- Personal Capital will use the additional investment to scale the business and broaden its services
- This transaction allows IGM Financial the opportunity to participate within the emerging digital wealth management industry in the United States

### Transaction Commentary

*"IGM Financial is the ideal investor. As one of Canada's premier personal financial services companies, we will benefit from IGM Financial's expertise in financial advice and asset management, coupled with deep understanding of its clients' needs. We are very excited to work with the IGM team."*

*"Our approach allows people not only to manage their entire financial life through the mobile devices they carry in their pockets, but also to receive a level of personalized advice previously only available to the ultra-wealthy. Demand for our advisory services and tools is only growing, and we are excited to partner with IGM Financial and our current investors to help more people reach their long-term financial goals, whether that be starting a family, buying a home, or getting ready for retirement."*

■ PERSONAL  
CAPITAL

Bill Harris  
CEO  
Personal Capital



*"I'm very enthusiastic about our investment in Personal Capital, and its highly experienced management team. We believe the financial advisory landscape will be enhanced by the type of service that Personal Capital provides, and we're delighted to be backing the leader in digital wealth management."*

IGM  
Financial

Jeff Carney  
CEO and President  
IGM Financial





# Personal Capital Raises \$75 Million in Series E Financing

## Personal Capital Overview

### PERSONAL CAPITAL

#### Company Overview

**CEO:** Bill Harris  
**Headquarters:** Redwood City, CA  
**Founded:** 2009

- **Personal Capital offers free software to track financial investments as well as a full wealth management service**
  - Free financial software for all registered users
  - Wealth management service provides professional financial advisors to clients, with special services for clients holding over \$1 million with Personal Capital
- **Personal Capital has over 1 million registered users, tracking \$239 billion, and \$2.4 billion in assets under management**





#### Financing History

Date	Size (\$ mm)	Investor(s)
05/19/16	\$75	IGM Financial
10/28/14	50	BBVA Ventures; Corsair Capital; CrossLink Capital; Institutional Venture Partners; United Services Automobile Association; Venrock
05/30/13	27	BlackRock; Correlation Ventures; CrossLink Capital; Institutional Venture Partners; Venrock
07/26/11	20	Institutional Venture Partners; Venrock
06/18/10	10	Institutional Venture Partners

#### Products & Services Overview




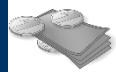
##### Wealth Management Service

*Personal Capital's Technology is combined with personal advisory services*

 <p>An advisor calls to discuss goals, risk tolerance, time horizon, and retirement planning</p>	 <p>The advisor analyzes current and prior finances and develops a personal strategy</p>
 <p>The advisor presents the financial plan, and opens an account at Pershing, a third party custodian</p>	 <p>Personal Capital implements the strategy, monitors and rebalances the portfolio, and delivers requested reports</p>

##### Private Client Concierge

*Clients investing \$1 million with Personal Capital receive:*

 <p>Direct access to a Certified Financial Planner™ and 24/7 access to licensed advisors</p>	 <p>Quarterly financial reviews and the ability to sit in on Investment Committee conference calls</p>
 <p>Partnership with Bank of New York Mellon to establish non-purpose credit lines and provide mortgage access and account check writing</p>	 <p><b>Fee Structure:</b></p> <ul style="list-style-type: none"> <li>▪ First \$3 mm: 0.79%</li> <li>▪ Next \$2 mm: 0.69%</li> <li>▪ Next \$5 mm: 0.59%</li> <li>▪ Over \$10 mm: 0.49%</li> </ul>

Source: Company website, LinkedIn, CrunchBase, PitchBook.



# Personal Capital Raises \$75 Million in Series E Financing

## IGM Financial Overview



### Company Overview

**President & CEO:** Jeff Carney  
**Headquarters:** Winnipeg, Canada  
**Founded:** 1894

- **IGM Financial is a personal financial services company, which provides investment advisory and other related services that mainly operates in Canada**
- **The Company also is one of the largest managers and distributors of mutual funds and other managed asset products in Canada**
  - Currently has approximately \$133 bn in total assets under management, with approximately \$127 bn in mutual fund assets under management
- **IGM Financial operates principally through its three subsidiary companies: Investors Group, Mackenzie Financial Corporation and Investment Planning Counsel**
- **IGM Financial is a member of the Power Financial Corporation group of companies**
  - Power Financial Corporation is a diversified management and holding company with interests in companies in the financials services sector
- **The Company is publicly traded on the TSX under the symbol "IGM", with a market capitalization of approximately \$6.7 bn**

### Subsidiaries Overview



*Personal financial planning services focused on six areas:*

- Investments
- Estate Planning
- Retirement
- Tax Planning
- Mortgage
- Insurance



- ✓ Mutual Funds
- ✓ Private Wealth Solutions
- ✓ Managed Assets
- ✓ ETFs
- ✓ Services
- ✓ New Funds



*Integrated wealth management company  
Work with an IPC advisor to:*

1. Analyze
2. Plan
3. Advise
4. Review
5. Communicate



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## **Betterment Raises \$100 Million in Series E Financing**



# Betterment Raises \$100 Million in Series E Financing

## Transaction Summary

### Transaction Overview

- On March 29, 2016, Betterment announced that it had raised a \$100 million Series E round of funding, led by Kinnevik
  - Also participating in the round were previous investors: Bessemer Venture Partners, Francisco Partners, Anthemis Group and Menlo Ventures
  - The funding round values the company at 700 million, following a \$500 million valuation from its Series D round <sup>(1)</sup>
- The company currently has 149 employees, but CEO Jon Stein expects to continue building out the Company in the areas of design, engineering, product management and investment management <sup>(1)</sup>
- Betterment's recent growth, \$1.1 billion AUM 15 months ago to current \$3.9 billion AUM, can be attributed to both the expansion of its customer base, as well as the launch of the Company's tool for institutional investors and Business 401(k)s
- Betterment's competitors include other emerging personal wealth management firms such as Personal Capital, FutureAdvisor and Wealthfront, which was reportedly valued at \$700 million in its last \$64 million funding round in 2014 <sup>(2)</sup>

### Commentary

*"Our goal is to become the central financial relationship for our clients. Over the past year, we've made great progress toward that goal with features like RetireGuide and account aggregation, but there is still work to do. It's the early days for us on our path to helping millions of Americans reach their financial goals."*

*"Kinnevik shares our vision of building a technology-driven financial services company that customers love. From our first meeting, it was clear that we shared the same values of what a modern day financial company would look like."*

– Jon Stein, Founder and CEO of Betterment



Jon Stein



Lorenzo Grabau

*"Betterment is a fast-growing, independent company that has already established itself as a market leader in digital asset management by developing innovative and easy-to-use services. In a short period of time, it has attracted a large and loyal group of customers who are investing a growing share of their wealth through the Betterment platform."*

*"We are delighted to partner with Jon Stein and Eli Broverman, with Betterment's entire team and with its existing investors to support the company's long-term growth. Betterment shares many of the principles that have made other Kinnevik investment companies successful: a mission to make valuable digital services available and affordable to all, a true entrepreneurial spirit, the pursuit of continuous technical innovation, and a belief in building customer-centric businesses that contribute to their communities. Everyone should have access to unconflicted and low-cost financial services that enable them to reach their financial goals."*

– Lorenzo Grabau, CEO of Kinnevik



# Betterment Raises \$100 Million in Series E Financing

## Betterment Overview



### Betterment

#### Company Overview

**CEO:** Jon Stein  
**Headquarters:** New York, NY  
**Launched:** 2010

- Betterment is an automated investment service with over \$3.9 billion invested by over 150,000 customer accounts
- The Company incorporates Modern Portfolio Theory and recommends a globally-diversified, passive portfolio of twelve asset classes tailored for risk and time horizon
- Betterment invests in six stock and seven bond ETFs
  - Focuses on value and small-cap stock ETFs suggested by Fama-French research
- Betterment Institutional is advisor-oriented software that automates reporting and rebalancing of client portfolios

#### Financing History

Date	Size (\$ mm)	Investor(s)
02/17/15	\$60	Bessemer Venture Partners; Francisco Partners Management; Menlo Ventures; Northwestern Mutual Capital
04/01/14	32	Anthemis Group; Bessemer Venture Partners; Citi Ventures; Globespan Capital Partners; Menlo Ventures; Northwestern Mutual Capital
09/25/12	10	Menlo Ventures; Bessemer Venture Partners; Anthemis Group
11/23/10	3	Bessemer Venture Partners

#### Products & Services Overview

##### Improved Performance



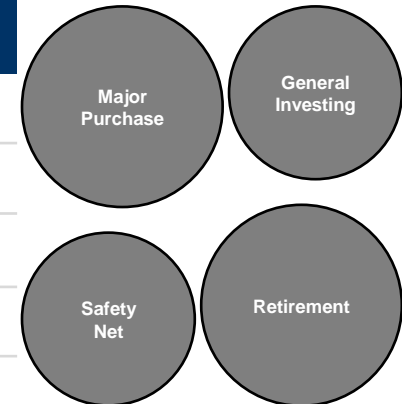
Optimized investment distribution to maximize return and minimize risk

Annual Betterment Benefit	Return Differential
Passive Investing	+1.25%
Better Diversification	+1.40%
Automated Rebalancing	+0.40%
Better Behavior	+1.25%
Total Annual Gain from Betterment	+4.30%

##### Goal-Based Investing



Select goals to define a clear target, set investment plans, and then monitor progress



#### Five Different Accounts



Individual Accounts



Trust Accounts



Traditional and Roth IRA Accounts



Joint Accounts



IRA, 401(k) and 403(b) Rollover Accounts

#### Services Offered

Personal Portfolios

Retirement

Trusts

Tax Loss Harvesting

FINANCIAL  
TECHNOLOGY  
PARTNERS

Source: Company website, LinkedIn, CrunchBase, PitchBook.





# Betterment Raises \$100 Million in Series E Financing

## Investment AB Kinnevik Overview



Investment AB Kinnevik

### Overview



**Chris Bischoff**  
Senior Investment  
Director



**Christoph Barchewitz**  
Investment Director



**Franco Danesi**  
Investment Director



**Stina Andersson**  
Investment Director

### Location(s)

- Stockholm, Sweden

### About

- Investment AB Kinnevik is a publicly-traded investment company based in Sweden
- Invests from own balance sheet, providing patient capital without investment horizons
- Particularly interested in asset management, digital banking, money remittance, e-commerce
- Comfortable with leading an investment, but prefers to syndicate
- Likes to take significant minority stakes and takes an active board seat in portfolio companies
- Firm does not like balance sheet businesses and has no revenue or EBITDA requirements, but portfolio companies generally have \$5-10 mm run-rate revenue

### Investment Preferences

#### Investment Criteria

<b>Fund Size:</b>	NA
<b>Fund Raised:</b>	NA
<b>Investment Range:</b>	\$3–700mm
<b>Revenue:</b>	NA
<b>EBITDA:</b>	NA

#### General Preferences <sup>(1)</sup>

<b>Control:</b>	Minority
<b>Geography:</b>	Global
<b>Transaction Type:</b>	Venture, Growth, PIPE
<b>Industry Focus:</b>	Financial Services, Mobile, Entertainment, Communications, Telecommunications, TGE, E-Commerce, Payments

### Select Recent Investments / Exits

#### FinTech / Financial Services Investments <sup>(2)</sup>

Date	Company	Deal Amt. <sup>3</sup>	Board Rep.	Sector
07/15	Milvik (Series C)	\$38	Mia Livfors	Ins
12/11	Seamless (PIPE)	NA	NA	Pymts
01/12	Bayport Management (PE Growth)	NA	Voria Fattahi	Bnkg

#### Other Technology Investments <sup>(2)</sup>

Date	Company	Deal Amt. <sup>(3)</sup>	Board Rep.	Sector
07/15	Quikr India (Secondary)	\$60	Mia Livfors	E-Comm
07/15	Global Fashion Group (Early-Stage VC)	165	NA	E-comm
03/15	PricePanda (Get Price)*	NA	NA	Online
02/15	DealDey (Series B)	5	NA	E-comm
01/15	Saltside Technologies (Series C)	40	NA	E-Comm
11/14	Lazada (Later-Stage VC)	250	Lorenzo Grabau	E-Comm
10/14	Konga (Series C)	50	NA	E-Comm
05/14	Yell.RU (PE Growth)	11	NA	Online
05/13	Namshi (Early-Stage VC)	14	NA	E-Comm
05/13	Foodpanda (Early-Stage VC)	20	NA	E-Comm

FINANCIAL  
TECHNOLOGY  
PARTNERS

Source: Company website, Pitchbook Capital IQ, Crunchbase, FT Partners proprietary transaction database.

(1) Italics indicate preferred control / geography.

(2) \* denotes M&A exit; \*\* denotes IPO exit.

(3) Deal Amount in mm.





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# BlackRock Acquires FutureAdvisor



# BlackRock's Acquisition of FutureAdvisor

## FT Partners Advises BlackRock in its Acquisition of FutureAdvisor

### Transaction Overview and Rationale

**FT Partners served as exclusive advisor to BlackRock**

#### Overview of Transaction

- On August 26, 2015, BlackRock (NYSE: BLK) announced a definitive agreement to acquire 100% of FutureAdvisor
- FutureAdvisor is a leading digital wealth management platform with technology-enabled investment advice capabilities
- BlackRock offers investment management, risk management and advisory services to institutional and retail clients worldwide and has over \$4.7tn in assets under management<sup>(1)</sup>
- Following the transaction, FutureAdvisor will operate as a business within BlackRock Solutions ("BRS"), BlackRock's investment and risk management platform
- The transaction is expected to close in Q4 2015

#### Significance of Transaction

- Combines FutureAdvisor's tech-enabled advice capabilities with BRS' investment and risk management solutions
- Enables BlackRock to provide a B2B digital advice platform, which helps financial institution partners both improve their clients' investment experiences and grow advisory assets
- Empowers partners to meet the growing demand among consumers to engage with technology to gain insights on their investment portfolios
  - Demand is particularly strong among the mass-affluent, who account for ~30% of investable assets in the U.S.

#### FT Partners' Role

- ***FT Partners served as exclusive advisor to BlackRock***
- Highlights FT Partners' continued success advising a broad range of top-tier strategic investors across the financial technology landscape

**Financial Technology Partners LP  
FTP Securities LLC**

*is pleased to announce its  
exclusive role as advisor to*

**BLACKROCK**

*in its 100% acquisition of*



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TECHNOLOGY  
PARTNERS**

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PARTNERS**

(1) As of June 30, 2015.





# BlackRock's Acquisition of FutureAdvisor

## FutureAdvisor Overview



<b>Co-Founder and CEO:</b>	Bo Lu
<b>Co-Founder and CTO</b>	Jon Xu
<b>Headquarters:</b>	San Francisco, CA
<b>Founded:</b>	2010



**Bo Lu**

Co-Founder and CEO

Bo Lu previously served as Program Manager at Microsoft, where he worked on the Photo Sharing feature of the Windows Phone



**Jon Xu**

Co-Founder and CTO

Jon Xu also previously served as a Program Manager at Microsoft, where he worked on Exchange ActiveSync, Windows Live Mobile and Windows Phone 7

### FutureAdvisor Overview

- **FutureAdvisor is a leading digital wealth management platform; its offering includes:**
  - Personalized advice that takes a comprehensive view across clients' brokerage, IRA and 401K accounts
  - Tax-efficient portfolio management
  - Both mobile and web-based platforms
  - Online account enrollment
  - Multi-custodian support
- **The Company's B2B offering is used by financial institutions to increase customer loyalty and grow advisory assets**

### Selected Investors





# BlackRock's Acquisition of FutureAdvisor

## FutureAdvisor Overview (cont.)

### Current Offerings

#### Retirement Planning

- FutureAdvisor links accounts and analyzes investors' current portfolios
- Provides free analysis and recommendations
- Automates its investment plan according to Modern Portfolio Theory and FutureAdvisor's algorithmic recommendations, reviewed by the investment team
- On-call financial advisors for investors, accessible via phone, online chat or email

#### Education Account

- Asks questions to estimate college cost and designs a plan to meet goals and budgets
- Scans all account types in the country to find the most tax-efficient and flexible investment account for each benefactor
- Automatically invests contributions and changes the portfolio balance as the age and tax implications change, reducing risk closer to the target horizon date
- Disperses the funds to the requested school

### Investment Philosophy



Award winning academic research supports the investing approach



Dynamic Fund Selection based on pre-existing investments and tax situations



Invests in low-fee index funds



Invests internationally to increase diversification



Tax-loss harvesting for accounts under management



Automatically rebalances to maintain target allocation



Uses Modern Portfolio Theory to calculate the "efficient frontier" and maximize returns at each risk level



# BlackRock's Acquisition of FutureAdvisor

## Overview of FT Partners Client: BlackRock

# BLACKROCK

<b>Chairman &amp; CEO:</b>	Laurence Fink
<b>Headquarters:</b>	New York, NY
<b>Founded:</b>	1988
<b>Market Cap:</b>	\$47.6bn <sup>(1)</sup>

### Company Overview

- BlackRock (NYSE: BLK) offers investment management, risk management and advisory services to institutional and retail clients worldwide
  - Has approximately \$4.7tn in assets under management ("AUM") and is the largest investment firm by AUM globally <sup>(2)</sup>
  - Offers clients investment solutions across geographies and asset classes
- Products include separate accounts, mutual funds, iShares exchange-traded funds and other pooled investment vehicles
- Through BlackRock Solutions, the Company provides risk management, advisory and enterprise investment system services to institutional investors

### Selected Investment Products

#### Mutual Funds

- Global / International Stocks
- U.S. Stocks
- Global / International Bonds
- Multi-Asset
- Alternative Investments
- Specialty & Sector
- Featured Products
- CollegeAdvantage 529

#### iShares ETFs

- iShares Core
- U.S. Stocks
- Global / International Stocks
- U.S. Bonds
- Global / International Bonds
- Commodity & Specialty

#### Closed-End Funds

- Municipal Bonds
- Taxable Bonds
- Stocks / Income / Sectors

### BlackRock Solutions Overview

#### Aladdin



- Proprietary technology platform which serves as the risk management system for BlackRock as well as other institutional investors
- Used by ~20k investment professionals globally
- Platform combines risk analytics with portfolio management, trading and operations tools

#### Advisory



- Serves holders of complex risk exposures, incl. financial institutions and government entities
- Offering includes valuation and risk, portfolio management, financial modeling, transaction support, analytics and reporting, and risk and strategic advisory services



# BlackRock's Acquisition of FutureAdvisor

## FutureAdvisor Series B Lead Investor: Canvas Venture Fund

### Overview



**Rebecca Lynn** <sup>(1)</sup>  
General Partner



**Gary Little**  
General Partner



**Paul Hsiao**  
General Partner



**Gary Morgenthaler**  
General Partner

### Location(s)

- Menlo Park, CA

### About

- Canvas Venture Fund launched in the summer of 2013 as a spinoff from Morgenthaler
- The partners have collectively made ~70 investments and have advised more than 35 companies to M&A or IPO exits across the Morgenthaler and Canvas Venture funds
- Canvas is a venture capital firm specifically focused on startups and making early-stage investments (primarily Series A / B) in technology companies
- The firm has extensive experience helping companies recruit talent, scale operations, expand PR and marketing efforts and secure follow-on investment

### Investment Preferences

#### Investment Criteria

**Fund Size:** \$175mm

**Fund Raised:** 2013

**Investment Range:** \$5–15mm

#### General Preferences

**Control:** Minority

**Geography:** U.S., focus on Silicon Valley

**Transaction Type:** Venture (Series A & B)

**Industry Focus:** Financial Technology, Digital Health, Marketplaces, Enterprise, SaaS, Big Data

### Other Select Recent Investments / Exits

#### Other FinTech / Financial Services Investments <sup>(2)</sup>

Date	Company	Deal Amt. <sup>(3)</sup>	Board Rep.	Sector
12/13	Practice Fusion (Series D)	\$85	Gary Little	HCIT
09/13	Check (Intuit)*	24	Rebecca Lynn	Banking
05/13	Lending Club (Secondary)**	125	Rebecca Lynn	Banking

#### Other Notable Technology Investments <sup>(2)</sup>

Date	Company	Deal Amt. <sup>(3)</sup>	Board Rep.	Sector
03/15	HealthLoop (Early-Stage VC)	\$3	Rebecca Lynn	HCIT
10/14	Viewics (Series A)	8	Rebecca Lynn	Data
09/14	CrowdFlower (Series C)	12	Rebecca Lynn	BPO
04/14	Doximity (Series C)	54	Rebecca Lynn	Comm
03/14	MuleSoft (Series F)	51	Gary Little	Software
02/14	Totango (Series B)	16	Gary Little	Info Svc
11/13	Evernote (Later Stage VC)	32	Gary Little	Software
06/13	Socrata (Series B)	18	Rebecca Lynn	Data
06/13	RelateIQ (Series B)	20	na	Software
07/11	JasperSoft (TIBCO)	11	Gary Little	Data
06/06	BlueArc (Hitachi)	29	Gary Morgenthaler	Data
12/00	Nextag (Regent Equity)	2	Gary Little	E-Comm

FINANCIAL  
TECHNOLOGY  
PARTNERS

(1) FutureAdvisor Board member.  
 (2) \* Denotes M&A exit; \*\* denotes IPO exit; includes pre-Canvas funds.  
 (3) Deal amounts in mm.





# BlackRock's Acquisition of FutureAdvisor

## FutureAdvisor Series A Lead Investor: Sequoia Capital

### Overview



**Jim Goetz**  
Partner



**Patrick Grady**  
Partner



**Douglas Leone**  
Partner



**Roelof Botha**  
Partner

### Location(s) <sup>(1)</sup>

- Menlo Park, CA

### About

- Founded in 1972, Sequoia Capital has invested in some of the most prominent companies in the world, including Apple, Cisco, Google, LinkedIn, Oracle, PayPal, Yahoo, YouTube and Zappos
- Within financial technology, primarily focuses within the banking, brokerage and payments verticals
- Collectively, Sequoia-backed companies are now worth 20% of the total value of the NASDAQ stock exchange
- Seeks to invest in high-growth, high-margin technology companies which have strong management teams

### Investment Preferences

#### Investment Criteria

**Funds Size:** \$550 mm (Venture);  
\$950 mm (Growth)

**Funds Raised:** 2013 (Venture);  
2012 (Growth)

#### General Preferences

**Control:** Minority

**Geography:** U.S., Israel, China, India

**Transaction Type:** Seed, Venture, Growth

**Industry Focus:** Energy, Financial Services, Healthcare IT, Internet, Mobile, Outsourcing Technology

### Other Select Recent Investments / Exits

#### Other FinTech / Financial Services Investments <sup>(2)</sup>

Date	Company	Deal Amt. <sup>(3)</sup>	Board Rep.	Sector
08/15	Fu passers (Series B)	\$60	na	CapMkts
07/15	Stripe (Series D)	100	Michael Moritz	Pymts
07/15	Behalf (Series B)	na	Shmuel Levy	Bnkg
07/15	BankBazaar (Series C)	60	na	Bnkg
06/15	Namely (Series C)	45	na	FMS
06/15	NuBank (Series B)	30	Doug Leone	Pymts
04/15	MobiKwik (Series B)	25	na	Pymts
04/15	Ppdai (Series C)	100	na	Bnkg
02/15	Capital Float (Series A)	13	na	Bnkg
02/15	FreeCharge (Snapdeal)*	80	Shailendra Singh	Pymts
11/14	Forter (Series B)	15	Shmuel Levy	Pymts
11/14	Thanx (Series A)	5	Bryan Schreier	Pymts
09/14	Snowball Fin. (Series C)	40	na	CapMkts
06/14	WeLab (Series A)	20	Neil Shen	Bnkg
03/14	Klarna (Series D)	124	Michael Moritz	Pymts
12/13	Citrus Payment Solutions (Series B)	6	Mohit Bhatnagar	Pymts
09/13	Prosper (Series B)	25	Patrick Grady	Bnkg
11/11	Xoom (Series F)**	25	Roelof Botha	Pymts
09/11	Square (Series B)	32	Roelof Botha	Pymts

Note: Alfred Lin (Partner) serves on FutureAdvisor's Board.

(1) Location(s) for U.S. funds only.

(2) \* Denotes M&A exit; \*\* denotes IPO exit.

(3) Deal amounts in mm.



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## VIII. Overview of FT Partners





# Overview of FT Partners

## Advisor of Choice in the Wealth Management / Capital Markets Sector

Wealth Management

Financial Technology Partners LP  
FTP Securities LLC  
*is pleased to announce its exclusive role as Capital Markets & IPO Advisor to*

**ENVESTNET**

*in its*

**\$69,000,000**  
**Initial Public Offering**

*valuing the equity at approximately*

**\$ 300,000,000**

**FINANCIAL TECHNOLOGY PARTNERS**  
The Only Investment Bank  
Focused Exclusively on Financial Technology

Financial Technology Partners LP  
FTP Securities LLC  
*is pleased to announce its exclusive role as sole strategic and financial advisor to*

**EISI**

*in its sale to*

**ZYWAVE**

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*is pleased to announce its exclusive role as advisor to*

**BLACKROCK**

*in its 100% acquisition of*

**FutureAdvisor**

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Data / Analytics

Financial Technology Partners LP  
FTP Securities LLC  
*is pleased to announce its exclusive role as sole strategic and financial advisor to*

**Zephyr ASSOCIATES, INC.**

*in its sale to*

**informa**

*for total cash consideration of*

**\$ 62,000,000**

**FINANCIAL TECHNOLOGY PARTNERS**  
The Only Investment Bank  
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Financial Technology Partners LP  
FTP Securities LLC  
*is pleased to announce its exclusive role as sole strategic and financial advisor to*

**THE MARKETS.com**

*in its sale to*

**Capital IQ**  
A Division of Standard & Poor's

*for total consideration of approximately*

**\$ 300,000,000**

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Financial Technology Partners LP  
FTP Securities LLC  
*is pleased to announce its exclusive role as sole strategic and financial advisor to*

**alphasense**

*in its financing from*

**SOROS**  
Soros Fund Management

**Triangle Peak** **TVP**  
TRIESTECA VENTURE PARTNERS

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High Frequency Trading

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*is pleased to announce its exclusive role as sole strategic and financial advisor to*

**ATD**  
ADDITIONAL TRADING DATA, LLC

*in its sale to*

**citi**

*for cash and stock consideration of approximately*

**\$ 700,000,000**

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Financial Technology Partners LP  
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*is pleased to announce its exclusive role as sole strategic and financial advisor to*

**QUANTHOUSE**  
Member of Citigroup

*in its growth financing with*

**ViewPoint.**  
Capital Partners

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Financial Technology Partners LP  
FTP Securities LLC  
*is pleased to announce its exclusive role as sole strategic and financial advisor to*

**WOMBAT**  
FINANCIAL SOFTWARE

*in its sale to*

**NYSE Euronext.**

*for total consideration of approximately*

**\$ 225,000,000**

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# Overview of FT Partners

## Advisor of Choice in the Wealth Management / Capital Markets Sector

Trading  
Technology

Financial Technology Partners LP  
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In its acquisition of



for cash consideration of approximately

**\$ 230,000,000**



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Financial Technology Partners LP  
FTP Securities LLC  
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In its minority capital raise with




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Financial Technology Partners LP  
FTP Securities LLC  
is pleased to announce its exclusive role as sole strategic and financial advisor to



In its minority recapitalization for

**\$ 110,000,000**



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Other Capital  
Markets  
Technology

Financial Technology Partners LP  
FTP Securities LLC  
is pleased to announce its exclusive role as sole strategic and financial advisor to



In its sale to



for total consideration of approximately

**\$ 56,000,000**



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Financial Technology Partners LP  
FTP Securities LLC  
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In its sale of a minority stake to




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Financial Technology Partners LP  
FTP Securities LLC  
is pleased to announce its exclusive role as sole strategic and financial advisor to



In the sale of its stake in



to



for total consideration of approximately

**\$ 305,000,000**



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# Overview of FT Partners

## FT Partners Advises PENSICO Trust Company in its \$104 Million Sale to Opus Bank

### Transaction Overview and Rationale

#### Overview of Transaction

- On January 25, 2016, PENSICO Trust Company (“PENSICO”) announced its sale to Opus Bank (“Opus”) (NASDAQ: OPB) for approximately \$104 million (as adjusted) in a mix of cash and stock
- Backed by Panorama Point Partners, PENSICO is a leading custodian of self-directed IRA and alternative investments
- Opus is an FDIC insured California-chartered commercial bank with \$6.2 billion of total assets, \$5.0 billion of total loans, and \$4.9 billion in total deposits<sup>(1)</sup>
- Following the transaction, PENSICO will operate as a subsidiary of Opus
- The transaction is expected to close in Q2 2016

#### Significance of Transaction

- The acquisition positions Opus at the forefront of the alternative asset wealth services business
- PENSICO provides Opus with strong, recurring non-interest income based on assets under custody
- The transaction also presents additional potential revenue opportunities through Opus’ Merchant Bank, Commercial Bank, Retail Bank and Opus Financial Partners, Opus’ broker-dealer subsidiary

#### FT Partners’ Role

- FT Partners served as exclusive strategic and financial advisor to PENSICO and its Board of Directors
- Highlights FT Partners’ continued success advising a broad range of top-tier strategic investors across the financial technology landscape

### Financial Technology Partners LP FTP Securities LLC

*is pleased to announce its exclusive role as  
sole strategic and financial advisor to*



**PENSICO**  
TRUST COMPANY

*in its sale to*



*for total consideration of approximately*

**\$ 104,000,000**

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TECHNOLOGY  
PARTNERS

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# Overview of FT Partners

## FT Partners Advises AlphaSense in its \$33 mm Financing

### Transaction Overview and Rationale

#### Overview of Transaction

- On March 7, 2016, AlphaSense ("the Company") announced a financing round led by Triangle Peak Partners, Tribeca Venture Partners and Quantum Strategic Partners, a private investment vehicle managed by Soros Fund Management
- The round also includes notable individual investors, including Tom Glocer, former CEO of Thomson Reuters
- AlphaSense provides intelligent search and alerting capability across a vast library of disparate resources giving users an information edge
- The professional search functionality leverages sophisticated natural language processing and search technology that streamlines finding and tracking the most relevant information

#### Significance of Transaction

- AlphaSense will use the new capital to help fund its exceptional growth, as well as continue building out the platform with additional features and functionality
- Firmly positions the Company to expand its products and services and continue to conquer its market in solving the information overload problem for knowledge professionals

#### FT Partners' Role

- FT Partners served as exclusive strategic and financial advisor to AlphaSense and its Board of Directors
- Highlights FT Partners' continued success in achieving highly attractive outcomes for leading SaaS-based technology firms

### Financial Technology Partners LP FTP Securities LLC

*is pleased to announce its exclusive role as  
sole strategic and financial advisor to*



*in its growth financing from*

### Quantum Strategic Partners

(a private investment vehicle managed by **SOROS** )  
Soros Fund Management



*for total consideration of*

# \$ 33,000,000

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# Overview of FT Partners

## FT Partners Advises Zephyr on its \$62 Million Sale to Informa

### Transaction Overview and Rationale

#### Overview of Transaction

- Zephyr Associates (“Zephyr”) announced its sale to Informa for \$62 million
- Zephyr, formerly a portfolio company of Kemmons Wilson Companies, provides software that helps investment professionals make informed decisions about investment products and portfolio construction
- Informa, headquartered in Switzerland, is an international business in the media sector that provides products and services related to publishing, news, data, analytics and events / conferences

#### Significance of Transaction

- Transaction allowed Zephyr and Informa to offer integrated solutions enabled by core components including a high-quality institutional level analytics platform and established, market leading data sets
- Provided Informa with a more comprehensive suite of integrated business intelligence and decision support solutions for investment and wealth management professionals

#### FT Partners’ Role

- FT Partners served as exclusive strategic and financial advisor to Zephyr and its Board of Directors in this transaction
- The transaction highlights FT Partners’ continued strength in the securities and capital markets technology sectors

### Financial Technology Partners LP FTP Securities LLC

*is pleased to announce its exclusive role as  
sole strategic and financial advisor to*



*in its sale to*

# informa

*for total cash consideration of*

# \$ 62,000,000



*The Only Investment Bank  
Focused Exclusively on Financial Technology*



# Overview of FT Partners

## FT Partners Advises Investnet on its \$300 Million IPO

### Transaction Overview and Rationale

#### Overview of Transaction

- Investnet completed an initial public offering of 7,705,825 shares at \$9.00 per share and began trading on the NYSE under the symbol ENV
- The net proceeds of the offering were to be used for general corporate purposes, including selective strategic investments, acquisitions, alliances or other transactions
- Investnet provides a comprehensive platform of wealth management solutions for professional investment advisors, including a range of fee-based investment products, analytic tools, reporting utilities, and other practice management applications

#### Significance of Transaction

- Investnet's IPO enhanced its ability to continue growing and better serve its financial advisor client base
- The offering represented one of several successful public offerings in the investment management and wealth management solutions space

#### FT Partners' Role

- FT Partners served as strategic, financial and IPO advisor to Investnet and its Board of Directors
- FT Partners assisted in managing the entire IPO process, enabling management to focus on growing the business

### Financial Technology Partners LP FTP Securities LLC

*is pleased to announce its exclusive role as  
Capital Markets and IPO advisor to*

# ENVESTNET®

*in its*

**\$ 69,000,000**  
**Initial Public Offering**

*valuing the equity at approximately*

**\$ 300,000,000**

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TECHNOLOGY  
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# Overview of FT Partners

FT Partners Research – Innovations in Capital Markets (click to view)



**Financial Technology Partners LP  
FTP Securities LLC**

**Innovations in Capital  
Markets Technology**

*Focusing on Open Source  
Communication Networks,  
Unstructured Data Analytics  
and Intelligent Search*

Courtesy of:

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TECHNOLOGY  
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[www.ftpartners.com](http://www.ftpartners.com)



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FT Partners focuses on key trends in the industry and conveys proprietary insights

- Areas of focus includes the emergence of open-source communication networks, big data / unstructured data analytics and intelligent searches
- Provides an industry landscape, company profiles, transaction overviews and CEO interviews



# Overview of FT Partners

## Selected FT Partners' Research (click to view)

March [xx], 2016  
**FINANCIAL TECHNOLOGY PARTNERS**  
 FTP Securities LLC  
 is pleased to announce its exclusive role as strategic and financial advisor to



in its growth financing from





for total consideration of  
**\$33,000,000**

Courtesy of



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 Focused Exclusively on Financial Technology  
[www.ftpartners.com](http://www.ftpartners.com)

Steve McLaughlin  
 Managing Partner  
 Tel: 415.312.2500  
[steve@ftpartners.com](mailto:steve@ftpartners.com)

Financial Technology Partners  
 100 Market St., 20th Floor  
 San Francisco, CA 94102  
 Tel: 415.312.2500

AlphaSense's \$33 mm growth financing

January 25, 2016  
**FINANCIAL TECHNOLOGY PARTNERS**  
 FTP Securities LLC  
 is pleased to announce its exclusive role as advisor to



in its sale to



for total consideration of approximately  
**\$ 104,000,000**

Courtesy of



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Financial Technology Partners  
 100 Market St., 20th Floor  
 San Francisco, CA 94102  
 Tel: 415.312.2500

PENSICO Trust Company's Sale to Opus Bank

August 26, 2015  
**FINANCIAL TECHNOLOGY PARTNERS**  
 FTP Securities LLC  
 is pleased to announce its exclusive role as advisor to



in its 100% acquisition of



Courtesy of



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BlackRock's acquisition of FutureAdvisor

August 17, 2015  
**Financial Technology Partners LP**  
 FT Partners Research – Transaction Profile



Acquires



for an Enterprise Value of \$590 million

Courtesy of



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[www.ftpartners.com](http://www.ftpartners.com)

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Envestnet Acquires Yodlee

April 12, 2015  
**Financial Technology Partners**  
 FT Partners Research – Transaction Profile



acquires



for  
**\$275,000,000**

Courtesy of



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Ally's acquisition of TradeKing for \$275 mm

March 28, 2016  
**Financial Technology Partners**  
 FT Partners Research – Transaction Profile



agree to merge

Courtesy of



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IHS & Markit Agree to Merge

March 22, 2015  
**Financial Technology Partners**  
 FT Partners Research – Transaction Profile



agree to merge

Courtesy of



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LSE & Deutsche Borse Agree to Merge

March 14, 2016  
**Financial Technology Partners**  
 FT Partners Research – Transaction Profile



for  
**\$1.1 billion**

Courtesy of



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Nasdaq's acquisition of ISE for \$1.1 bn

FT Partners regularly publishes research highlighting the most important transactions, trends and insights impacting the global Financial Technology landscape. Our unique insight into FinTech is a direct result of executing hundreds of transactions in the sector combined with over 13 years of exclusive focus on Financial Technology. Please visit our [subscription form](#) to subscribe to our exclusive monthly newsletter and receive our research reports.







# Overview of FT Partners

## FT Partners' Recent Awards and Recognition

### The Information

**Silicon Valley's Most Popular Dealmakers**

Name	Title	Company
Ian Smith	Managing Director	Allen & Co.
Steve McLaughlin	Managing Partner	FT Partners
Marshall Roslyn	Vice President	Goldman Sachs
Noah Wintroub	Vice Chairman	JP Morgan
Paul Kwan	Managing Director	Morgan Stanley
Quincy Smith	Partner	Cole Advisors

[Click to view](#)

### The Information's "Silicon Valley's Most Popular Dealmakers" (2016)

- Ranked as the #2 top Technology Investment Banker by The Information subscribers
- Only FinTech focused investment banking firm and banker on the list



[Click to view](#)

### M&A Advisor Awards

- Investment Banking Dealmaker of the Year (2015) – Steve McLaughlin, CEO & Managing Partner of FT Partners
- Technology Deal of the Year \$1.5 Billion (2015) – TransFirst's \$1.5 Billion Sale to Vista Equity Partners



**4**

**Steven McLaughlin**  
Managing Partner  
Financial Technology Partners



### The 2015 FinTech Finance 35: #4 Steve McLaughlin, Financing Technology Partners

(excerpt from article published in Institutional Investor)

***"Steve personifies the combination of talent, vision, energy and experience that add up to the unprecedented level of leadership and influence in FinTech."***

– Jeff Kutler, Feature Editor



**4**

**Steve McLaughlin**  
Managing Partner  
Financial Technology Partners

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# Overview of FT Partners

## Award-Winning Investment Banking Franchise Focused on Superior Client Results

*FT Partners has been recognized as Investment Banking Firm of the Year and regularly achieves Merger and Financing Deal of the Year recognition*



M&A Advisor Awards

- 2016
  - **Investment Banking Firm of the Year**
  - **Cross Border Deal of the Year**
- 2015
  - **Dealmaker of the Year**
  - **Technology Deal of the Year**
- 2014
  - **Equity Financing Deal of the Year**
  - **Professional Services Deal of the Year, Above \$100mm**
- 2012
  - **Dealmaker of the Year**
  - **Professional Services Deal of the Year, Above \$100mm**
- 2011
  - **Boutique Investment Bank of the Year**
  - **Deal of the Decade**
  - *10 Deal of the Year Nominations Across 9 Categories*
- 2010
  - **Upper Middle Market Deal of the Year, Above \$500 mm**
  - **IT Services Deal of the Year, Below \$500mm**
  - **Cross-Border Deal of the Year, Below \$500mm**
- 2007
  - **Dealmaker of the Year – Steve McLaughlin**
  - **Business to Business Services Deal of the Year**
  - **Computer and Information Technology Deal of the Year, Above \$100mm**
  - **Financial Services Deal of the Year, Above \$100mm**



Institutional Investor Annual Ranking

- 2015
  - **Steve McLaughlin ranked #4 in Institutional Investor's FinTech 35 List**
- 2006-2008
  - **Consecutively ranked (2006, 2007 and 2008) among the top Bankers in Financial Technology**



WINNER

Middle Market Financing Awards

- 2008
  - **Equity Financing Dealmaker of the Year – Steve McLaughlin**
  - **Information Technology Deal of the Year**
  - **Financial Services Deal of the Year**
- 2006
  - **Financing Professional of the Year – Steve McLaughlin**
  - *Financing Deal of the Year - Equity*
  - *Financing Deal of the Year - Debt*

Note: **Bold** represents awards that FT Partners has won, *italics* represents nominations.

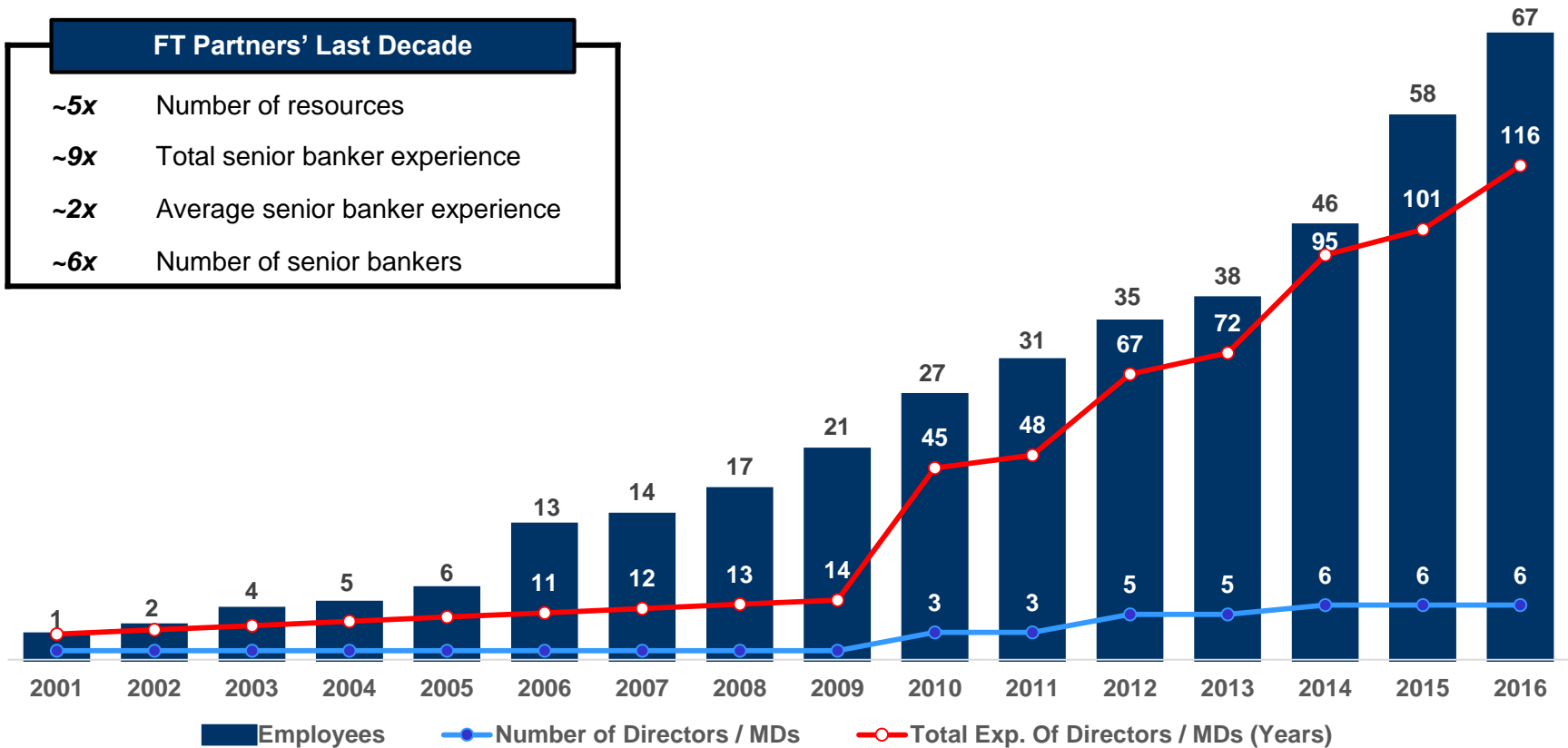


# Overview of FT Partners

Platform of Choice for Clients and Bankers Alike

## FT Partners' Last Decade

- ~5x Number of resources
- ~9x Total senior banker experience
- ~2x Average senior banker experience
- ~6x Number of senior bankers



### Avg Years of Director / MD Experience





# Overview of FT Partners

## The FT Partners Senior Banking Team

Name / Position	Prior Background	Experience / Education	Years of Experience
<b>Steve McLaughlin</b> <i>Founder, CEO and Managing Partner</i>		<ul style="list-style-type: none"> <li>Formerly with Goldman, Sachs &amp; Co. in New York and San Francisco from 1995-2002</li> <li>Formerly Co-Head of Goldman Sachs' Financial Technology Group (#1 market share)</li> <li>Wharton M.B.A.</li> </ul>	21
<b>Larry Furlong</b> <i>Managing Director</i>		<ul style="list-style-type: none"> <li>Formerly with Goldman, Sachs &amp; Co. in New York, London and Los Angeles beginning in 1995</li> <li>Wharton M.B.A.</li> </ul>	21
<b>Greg Smith</b> <i>Managing Director</i>		<ul style="list-style-type: none"> <li>Formerly award winning Equity Research Analyst at Merrill Lynch / J.P. Morgan / Sterne Agee</li> <li>Recent coverage included DST, ENV, FISV, FIS, JKHY, WU, EEFT, V, MA, TSS, GPN &amp; HPY among others</li> </ul>	20
<b>Steve Stout</b> <i>Managing Director</i>		<ul style="list-style-type: none"> <li>Formerly with J.P. Morgan and UBS</li> <li>Formerly Global Head of Strategy at First Data</li> </ul>	18
<b>Tim Wolfe</b> <i>Managing Director</i>		<ul style="list-style-type: none"> <li>Formerly with Goldman, Sachs &amp; Co. beginning in 2000</li> <li>40 Under 40 M&amp;A Advisor Award Winner 2013</li> <li>Harvard M.B.A.</li> </ul>	14
<b>Andrew McLaughlin</b> <i>Managing Director, Research &amp; Business Development</i>		<ul style="list-style-type: none"> <li>Leads FT Partners' Research and Business Development Team</li> <li>Formerly with Deloitte Consulting</li> </ul>	10