



BLACK DIAMOND
PERFORMANCE REPORTING™



WHITEPAPER

A Diamond in the Rough:
Technology Savings and ROI in Volatile Markets

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Background

As part of our commitment to helping advisors solve operational and business management issues, Black Diamond Performance Reporting is pleased to provide this industry white paper that shows how advisory firms can leverage new technology to implement business solutions that increase productivity, efficiency and profitability.

Developed in partnership with Nexus Strategy, LLC, a leading consulting firm to the wealth management industry, this report documents how a new approach to performance reporting and portfolio management delivers real cost savings and a substantial ROI.

We invite you to learn more about how you can achieve similar results by visiting www.blackdiamondreporting.com

Executive Summary

The financial services industry is undergoing rapid change, with leadership transitioning from large legacy institutions to nimble independent firms. Well known wirehouses and banks have been irreparably damaged by recent financial crises, resulting in bankruptcies, mergers and government takeovers, causing dissatisfied investors and advisors to rapidly move into the independent channel.

But with this unprecedented opportunity for independent advisory firms comes challenge. Managing growth in a more complex and volatile market environment has become a daunting task for many advisors. Combined with pressures on revenues from declining markets and increased client demands for service, many are looking for new solutions to help them to maintain profitability and the continued growth of their firms.

Industry experts all agree that the best solution is to adopt technology to increase efficiency, streamline operations, create economies of scale and enable rapid response to market changes. New advances and innovations in technology specifically designed for independent advisory firms to provide web-based performance reporting, reconciliation and billing is now available that allows advisors to meet these challenges head on and provide a substantial return on investment (ROI).

Many advisory firms are using legacy software solutions and manual processes to perform these tasks and the resulting inefficiencies are leading to higher costs, compressed margins and a declining service capacity.

By having an online platform that is flexible, dynamic, easy to use and is integrated into all of the industry's leading custodians, advisors can lower technology acquisition costs and ongoing back-office staff costs by tens of thousands of dollars for smaller firms to upwards of hundreds of thousands of dollars for large firms on an annual basis.

Table 1.0 - Annual Savings from Web-Based Outsource Performance Reporting Solution vs. Traditional Software/License Based Systems

Size of Firm (AUM)	\$150M	\$500M	\$1B+
Software Solution	\$94,000	\$149,000	\$267,000
Outsource Solution	\$41,000	\$82,000	\$136,000
Savings	\$53,000 (56%)	\$67,000 (45%)	\$131,000 (49%)

Introduction

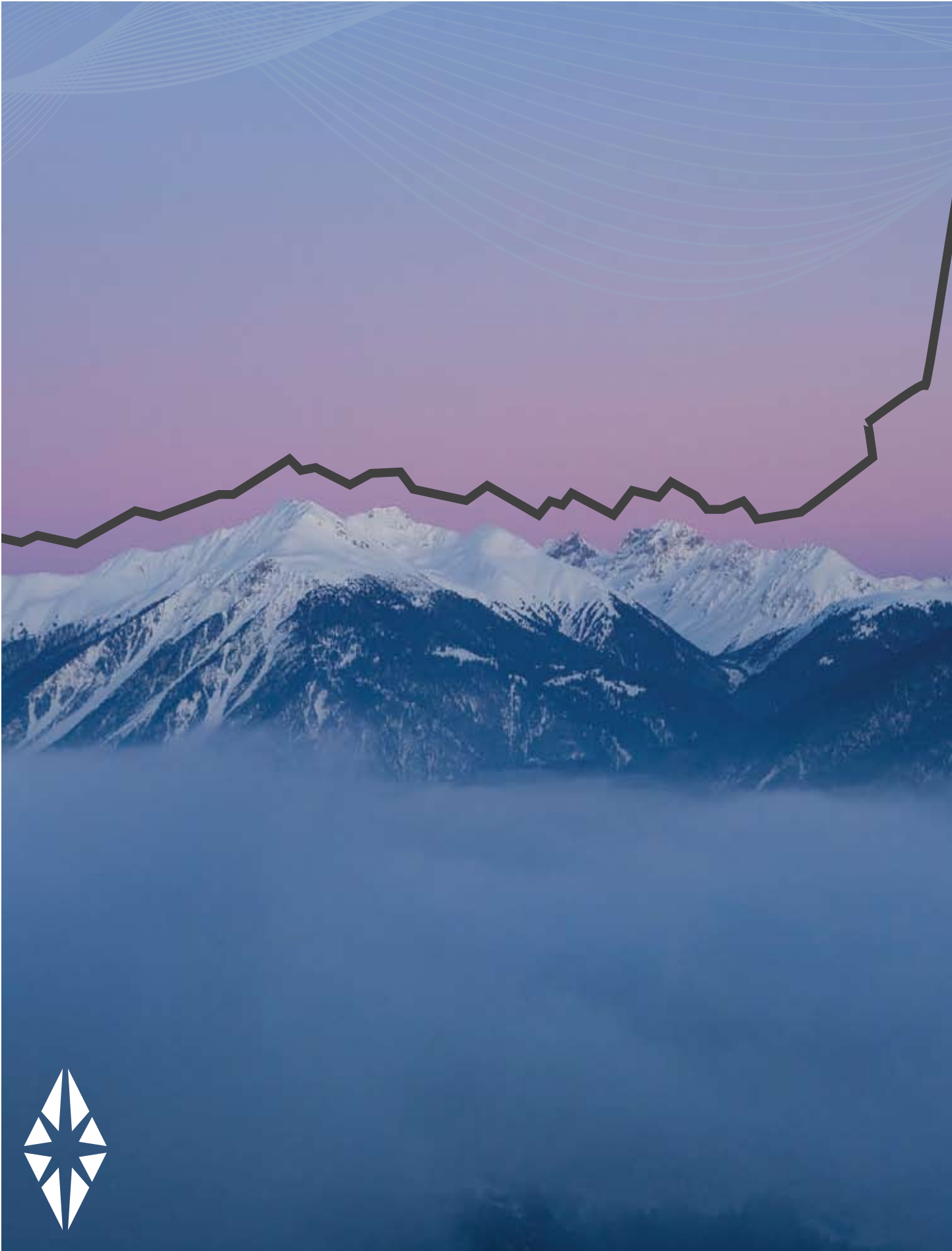
Currently, many independent advisory firms are using manual processes combined with expensive desk-top software applications to provide the key functions of performance reporting, account reconciliation and billing.

The lack of flexibility inherent in this approach is creating inefficiencies in their back-offices and is limiting their ability to respond to the dynamic, volatile markets of today. While clients are demanding timely information on the status of their portfolios, many advisory firms are stuck with the ability to, at best, report on a monthly basis, meanwhile being inundated with additional work for ad-hoc reports based on client concerns, pushing their back-offices to the limit. Additionally, these fixed costs and associated overhead are becoming an ever-increasing percentage of revenues, shrinking profitability as many firms' revenues are coming under pressure due to the dramatic market declines of 2008-2009.

By outsourcing the many manual steps involved to a third-party with best-in-breed technology and a service model that is dedicated to efficiently providing these services, advisors can quickly realize a much more streamlined back-office, smaller IT infrastructure and the ability to provide performance information on a daily basis in a customized, user-friendly, graphic interface that ultimately becomes a valuable competitive advantage.

Additionally, when combined with flexible AUM fee based pricing models, advisory firms are able to lower their overhead costs in declining markets, as their revenues are similarly impacted, protecting profit margins.

The bottom line result is that not only do advisors realize substantial cost savings, they are also empowered with a very robust performance reporting, reconciliation and billing capability that frees them up to pursue growth opportunities and reallocate back-office resources to revenue generating and client-facing activities.



ROI Opportunities

An in-depth study into the operational costs associated with portfolio management, billing and performance reporting requirements of independent firms recently conducted by Nexus Strategy, LLC has revealed opportunities for cost savings and a significant ROI. These include:

- » Technology Acquisition
- » Operational Tasks
 - » Reconciliation
 - » Quarterly Reporting
 - » Billing
 - » Ongoing Training

Technology Acquisition

The costs associated with acquiring a robust and comprehensive system from legacy industry software providers include the core software annual licenses for providing portfolio reporting and accounting which begin at approximately \$30,000 for smaller firms, running upwards to \$70,000 and higher for larger firms. Combined with additional modules for billing and ongoing consulting services to customize the application for each firm along with the added IT infrastructure, hardware and disaster recovery/compliance, and even small firms are facing roughly \$35,000 in additional annual costs, upwards of \$75,000 and more for larger firms.

When you contrast this desk-top, software license approach with innovative solutions that are web-based applications, known as Software as a Service (SAAS), advisors quickly can realize dramatic cost savings. No longer do advisors need to acquire, maintain, staff and service expensive IT infrastructure and systems. The resulting savings range from over \$25,000 annually for small firms, upwards of nearly \$70,000 for larger firms.

Table 2.0 - Technology Acquisition Costs

Size of Firm (AUM)	\$150M	\$500M	\$1B+
Software License	\$63,800	\$104,500	\$191,300
Software as a Service	\$37,500	\$75,000	\$125,000
Annual Savings	\$26,300 (41.2%)	\$29,500 (28.2%)	\$66,300 (34.6%)

Operational Tasks

Beyond the costs associated with acquiring technology, with a software solution, advisors must also allocate highly valuable and scarce resources to operate their system and perform the manual tasks related to servicing these key functional areas.

Account Reconciliation

These tasks include the many steps involved in account reconciliation such as the time it takes to download data and verify the accuracy of that data through checking the logs and ensuring that all scripts ran. Back-office staff must also setup and map new accounts and related new securities as well as define all aspects of those securities. In addition, staff must also post data and perform exception management processing and research, along with manually making any corrections or adjustments.

Also included in this process is the manual input for non-custodial data feeds, reconciling pricing for non-standard or un-priced securities and related performance benchmarks. Once all of this is done, staff must then re-post the data and run a reconciliation audit to ensure the accuracy of those manual processes.

Performing these tasks via a software solution is clearly a time-consuming and complex process that creates many opportunities for errors to be created and is a frequent

head-ache for advisors to manage. According to a recent industry report¹, advisory firms using software and manual processes spend 35.4 hours per month for small firms and 70.8 hours per month for larger firms on account reconciliation. That is roughly a full week of a staffer's time for small firms and roughly two weeks per month of a staffer's time for larger firms to spend on these manual, error-prone tasks.

Contrast this software / manual process with an online performance reporting system that automatically performs account reconciliation on a daily basis via electronic feeds from custodians and other data providers as part of its service model and virtually of these tasks and staff costs are eliminated, with a much higher accuracy rate and fewer errors.

At a conservative rate of \$40 per hour², the cost savings for firms is substantial, ranging from over \$15,000 to upwards of \$30,000 and more per year.

Table 3.0 - Account Reconciliation Costs

Size of Firm (AUM)	\$150M	\$500M	\$1B+
Software	\$17,000	\$24,400	\$34,000
Online System	\$1,000	\$3,000	\$5,000
Annual Savings	\$16,000 (94.1%)	\$21,400 (87.7%)	\$29,000 (85.3%)

¹ 2008 Asset Management Operations and Compensation Survey by Advent Software, The Investment Adviser Association and the Advent Users Group

² Source: Schwab Advisor Services estimates of back office staff total compensation costs

Quarterly Reporting

One of the larger, more time consuming aspects of operating an independent advisory firm is the process of providing performance reports to clients. Traditionally in the industry, performance has been reported on a quarterly basis to coincide with billing cycles and also because it has become such a complex and cumbersome process for software based systems that a quarterly frequency was really about as quickly as firms could manage.

Inherent in this process is a large amount of manual processing to generate reports, print them, collate into envelopes and ultimately mail to clients. Steps in this process include running a significant number of analyses to account for significant contributions and withdrawals, update intervals on the system on a monthly basis for each account and household to determine cash flows and money movements, updating performance history and reconciling pricing of securities.

As part of this process, a detailed review of security pricing is required to ensure accuracy and update mis-priced

and un-priced securities. After this step, reports are then run again and archived for future reference. Final steps include the actual printing, collating and mailing, often with other documents that are manually stuffed into envelopes topped off with expensive postage.

According to a recent industry report³, advisory firms using software and manual processes spend 52.3 hours per quarter for small firms and 176.6 hours per quarter for larger firms on reporting per quarter.

Contrast this software / manual process with an online performance reporting system that automatically generates performance reports and delivers them online to a secure client website and virtually all of these tasks and staff costs are eliminated, with a much higher accuracy rate.

At a conservative rate of \$40 per hour⁴, the cost savings for firms is substantial, ranging from \$7,000 for small firms to upwards of \$25,000 per year for larger firms.

Table 4.0 - Quarterly Reporting Costs

Size of Firm (AUM)	\$150M	\$500M	\$1B+
Software	\$8,400	\$10,200	\$28,300
Online System	\$1,000	\$2,000	\$3,000
Annual Savings	\$7,400 (88.1%)	\$8,200 (80.4%)	\$25,300 (89.4%)

³ 2008 Asset Management Operations and Compensation Survey by Advent Software, The Investment Adviser Association and the Advent Users Group

⁴ Source: Schwab Advisor Services estimates of back office staff total compensation costs

Billing

For firms using software for their billing processes, there are many manual steps involved in addition to paying extra for an additional module. These include the quarterly process of running billing reports, which include the detailed accounting for cash movements in and out of accounts from contributions and withdrawals. For firms with a large amount of accounts, this accounting in order to accurately calculate billing balances can be a time consuming, tedious and sometimes error-prone task. Additionally, once those reports are completed, staff must then export to their custodians, which can be a cumbersome process for larger firms using multiple custodians.

According to a recent industry survey⁵, advisory firms using software and manual processes spend roughly 15 hours per quarter on billing for smaller firms and upwards of 42 hours per quarter for larger firms.

Contrast this software / manual process with an online performance reporting system that automatically performs many aspects of the billing process, including calculating average daily balances to account for contributions and withdrawals, and this time is reduced by 75% with a much higher accuracy rate.

Table 5.0 - Billing Costs

Size of Firm (AUM)	\$150M	\$500M	\$1B
Software	\$2,400	\$5,400	\$6,600
Online System	\$600	\$1,300	\$1,700
Annual Savings	\$1,800 (75.0%)	\$4,000 (74.1%)	\$4,900 (74.2%)

⁵ 2008 Asset Management Operations and Compensation Survey by Advent Software, The Investment Adviser Association and the Advent Users Group

Ongoing Training

As part of maintaining software systems, staying up to speed on the latest enhancements, changes and upgrades, along with inevitable staff turnover, vacation and sick-leave, advisory firms spend a significant amount of staff time on training.

According to industry experts, various studies and estimates, advisory firms using software and manual processes spend roughly 5 hours per month on training for smaller firms and upwards of 15 hours per month for larger firms.

Contrast this software / manual process with an online performance reporting system that automatically incorporates upgrades, enhancements and is much easier to use, and the time dedicated to training time is reduced by 80%.

Table 6.0 - Ongoing Training Costs

Size of Firm (AUM)	\$150M	\$500M	\$1B+
Software	\$2,400	\$4,800	\$7,200
Online System	\$500	\$1,000	\$1,400
Annual Savings	\$1,900 (79.2%)	\$3,800 (79.2%)	\$5,800 (80.6%)

Conclusion

While every advisory business is different and actual dollar and time savings will vary from firm to firm, it is clear that a web-based, outsourced performance reporting, reconciliation and billing technology solution can deliver a significant return on investment in both current savings today as well as in long-term business value tomorrow.

Independent advisors owe it to their clients, their firms, their staff and themselves to explore how new technology solutions can streamline their back-office, provide scalability, enhance service to their clients and ultimately improve profits and the ability to grow.

While many advisory firms have enjoyed success with their current approaches, in today's volatile markets, leading independent advisory firms are taking the initiative to adopt new technology to stay ahead of the curve. The opportunity for success has never been greater: higher revenues, increased efficiency, lower business risk, all you have to do is take the easy steps necessary to make them a reality for your firm.



Case Studies

HighTower Advisors

HighTower Advisors is an advisor-owned financial services company focused on serving high net worth investors with a comprehensive, wealth management approach. As a new firm on the scene, HighTower is experiencing rapid growth, cresting the \$6 billion mark in assets in only its first year of existence. Headquartered in Chicago, IL, HighTower has multiple offices throughout the country.

Due to their unique approach which has ownership spread among its financial advisors, HighTower's mission is to provide a flexible, service oriented approach to helping advisors succeed. Led by CEO Elliot Weisbluth, HighTower Advisors has created a unique model for advisors looking to establish their practice in an independent environment, without having to build the infrastructure and technology on their own. With over 20 advisors and 10,000 clients in just the first year of business, HighTower needed to take an innovative approach to building their technology and back office services.

"Because we are a new company, we have the advantages of investing in the latest technology to take a fresh look at how to structure an independent wealth management firm," noted Chief Technology Officer, Matt Camden. "A critical part of that technology platform was how we were going to support our advisors with portfolio accounting,

performance reporting and billing."

As HighTower approached this important piece of their front and back-office, it was Matt's goal to put in place a strict criteria in the form of an "IT Blueprint" to assist in the decision making process. Key to that approach was the requirement that the system could not just end at billing, but it also needed to provide robust portfolio accounting and performance reporting so that HighTower's advisors would have the latest information available to best manage client relationships.

Additionally because of HighTower's boutique nature, they strategically did not want to invest in a big infrastructure that would require maintenance, ongoing management, as well as periodic upgrades over time. HighTower's IT Blueprint was to take a managed services approach that used best in breed technology from tier level 1 vendors. While there were some larger, more established firms out there, yet none had the capability and online accessibility of Black Diamond.

"Our technology objective is to provide to our advisors and their clients with as comprehensive and accurate a picture of their assets as possible," noted Matt. "Working with multiple custodians, it is critical to get nightly transmissions and be able to incorporate those into our advisor and client views of their

portfolios. Black Diamond does that for us seamlessly, saving an immense amount of time if we would have had to do that work ourselves."

Another key aspect of the system was that it had to be easy to use, yet have a comprehensive and deep set of analytics. While sometimes these requirements can be in conflict with each other, for Matt and HighTower, Black Diamond made it easy to have both ease of use with advanced analytics.

"It would be very difficult to create custom reports for every advisor," commented Matt. "Therefore the system itself needed to be flexible enough to look at performance by asset class, by household, by manager, by goal or whatever views the advisor or client wanted to see. With Black Diamond's unique interface, it is very easy to see these analyses on the fly, just with a few clicks of the mouse. For example, recently a client wanted to include their house in Aspen in their portfolio picture, and we were able to do that right there on the spot. We did not need to do any custom programming at all."

As part of the managed services approach of HighTower's IT Blueprint, scale was a critical factor. "As an outsourced service, Black Diamond scales very easily. If we had to add new infrastructure every time we added a new advisor that would be a full time

job just to keep up with our growth. We need to onboard new advisors quickly and having a managed service like Black Diamond provides us with a leading, secure, repeatable and high-performance technology capability. Basically, the technology doesn't get in the way of doing business; it is really just working with a browser."

The busy advisors at HighTower rely on Black Diamond reporting on a daily basis. For client meetings, advisors can easily and quickly prepare and print summary reports by household, account, asset class, or other view, depending on the client's situation and the focus of the meeting.

With this detailed information at their fingertips, they can then walk the client through the detailed performance of their portfolios via their computer screens, easily drilling down on specific areas of the reports to get a glimpse of how a single security or manager may be impacting the overall performance of the portfolio.

"The ability to bring the information out of the reports and onto the computer screen for on-the-fly views makes it so much more relevant to the client and provides our advisors with an excellent way to start a conversation," noted Matt. "Particularly in today's volatile market environment, advisors need to have this level of access to performance reporting

to answer client questions and continue to be that trusted source of advice and guidance."

On the Compliance front, Black Diamond enables Matt and his team to be able to have consistent verbiage, disclaimers and notices show up on every report, which they can centralize in Chicago. He's able to run audits on the system to ensure accurate and timely billing. Additionally, because Black Diamond utilizes a SAS 70 II certified data center, the data is safe, secure and accurate for internal and external audit purposes.

One of the strategic goals of HighTower is to grow through the acquisition of new advisors who bring their clients with them to join the firm. As employee-owners, HighTower advisors have the flexibility to manage their relationships their way.

"Our goal is to offer capabilities to our advisors to do their business in ways they've always done things, and new if they want," commented Matt. "Therefore, we provide the tools and advisors see best how to use them. In fact, we don't even have requirements for which technology to use. They can use something else if it isn't working for them, but as evidence of its success, every advisor uses Black Diamond."

"In the case of Black Diamond, advisors see this as a way to increase

communication with clients, increase touches without losing service, allowing them to spend more time managing their business and growing their client base. For many advisor recruits, Black Diamond is something they've never seen before; often commenting that it is the 'home run' of the technology platform we have built for them."

As HighTower continues to successfully execute on its growth strategy, they remain focused on performance reporting, billing and analytics as a key aspect of their IT Blueprint. "We are looking to continue to take advantage of Black Diamond's flexibility going forward as we move from start up mode to a more mature organization. One very interesting aspect we see is to be able to mine the business intelligence that resides in Black Diamond. We'll have better clarity and insight into how productive and effective our advisors are and be able to take that knowledge and put it to use," concluded Matt.

"We're very proud of the technology that we've put in place to make our advisors successful. We view technology as a client service model with our advisors as our clients. Black Diamond is a critical part of how we are delivering on that service promise on a daily basis."

"..For many advisor recruits, Black Diamond is something they've never seen before; often commenting that it is the 'home run' of the technology platform we have built for them."

Carolinas Investment Consulting, LLC

Carolinas Investment Consulting (CIC) is a fast-growing and dynamic investment advisory firm located in Charlotte, NC. Founded in 2001, CIC has experienced excellent growth and adoption of their approach and now serves over 450 clients and manages over \$700 million in assets. Led by President George Edmiston, Jr., CIC provides wealth management services to executives, entrepreneurs, medical professionals and families, including a broad range of engagements from financial planning to investment policy design to functioning as a family office.

As CIC has built out their infrastructure over the last several years in growing their firm to over 20 staff, their key focus has been on leveraging technology to enable them to efficiently serve their clients and scale the business. J. Vick Phillips, Managing Director in charge of all operational aspects of CIC notes, "In order for us to continue to provide the highest level of service to our clients and offer our unique, customized investment solutions, we need to be smart how we structure our operations, particularly in the volatile markets of today."

While Vick is currently confident and in control of the business operations of CIC, it wasn't always that way. "In the early days of CIC, we had been using a performance reporting system called Mobius that had gone through a number of acquisitions by various technology companies, including CheckFree and Informa. With each acquisition, it seemed that the service experience deteriorated and it became harder and

more labor intensive to get the reports we needed."

These issues were becoming more and more of a problem for CIC due to their rapid growth. "Because of the customized approach we provide for each and every client and the inflexibility of our old system, it became apparent that we would need to add a new back-office person for every 100 clients just to run performance reports," commented Vick. "Additionally, due to the lack of timely data we were getting from the system, it would often take us many weeks to compile quarterly reports that wouldn't be available until late into the following quarter."

Because of the lack of timely data, inability to scale and inflexibility of the system, CIC sought out a new approach to performance reporting. "We were very excited to learn about Black Diamond's system where we would be able to have daily downloads and account reconciliations with electronic feeds from our custodian and clearing firms. This eliminated the manual data entry we were doing with our old system and provided the scale we needed to grow without having to add new staff," noted Phillips.

Additionally, we could now handle client meetings "on-demand." Previously, we had to schedule client meetings out several weeks due to our limited capacity to generate reporting. With Black Diamond, we can quickly pull the client reports and respond to client demands, which are particularly important in these

times of market volatility."

From a return on investment (ROI) point of view, CIC has been more than pleased. "With Black Diamond, we can scale and grow our business and not have to add additional people. We have stopped the escalation of costs which were tracking with our growth and which threatened to make the business non-viable," said Vick.

"Looking at our investment and partnership with Black Diamond from a management point of view also brings even more benefits and ROI. With the Black Diamond system, we have powerful business intelligence that we can access in real-time to see how the current markets will impact our revenues, profitability and assets. We can quickly generate reports and information to model these issues and help us make decisions. This compares to what we had to do in the past, such as complete a big exercise by bringing in a computer science engineer over a summer to build a separate database to pull the information all together from our clearing firms, custodians, and CRM tool."

"Lastly, we truly appreciate the partnership we have with Black Diamond and the support and service they provide. We know that they are in this relationship for the long-haul and we appreciate their commitment to providing us with the tools, technology and service we need to continue to grow CIC and meet our clients goals and objectives," concluded Vick.

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Sanders Booze Capital Advisors

Sanders Booze Capital Advisors (SBCA) is a fast growing SEC registered investment advisor based in Overland Park, KS. Founded in 2003, SBCA provides comprehensive wealth management, financial planning and investment management. Led by co-founders Jon Booze and Ron Sanders, SBCA serves over 50 high net worth families across the nation. "When we started the firm, we knew all along that we would need to leverage technology to be efficient in providing our comprehensive service model," noted Principal Jon Booze. "As we built out our infrastructure in the beginning, we thought that it would be prudent to go with legacy vendors in the industry to provide some of the core functionality we needed, as that was what many firms we knew had done."

What SBCA quickly realized is that going with the industry standard is not always the wisest decision. "Our desktop software based performance reporting tool was something we thought would be a good solution," commented Jon. "But what we quickly realized is that it was very inflexible, expensive, not user friendly and required a great deal of manual work, even for the small client base we had at that time."

Because of these issues, SBCA quickly sought out alternate solutions, ultimately going with Black Diamond Performance Reporting. "Black Diamond stood out

to us because it was web based and provided the extreme flexibility we needed to generate the customized reporting for our high net worth clients," said Jon. "The compelling graphical presentation and ability to "drill down" via a few clicks of the mouse on the various asset classes helped us tell our story to our clients and show how we performed against the benchmarks and goals we had jointly established."

"Additionally, because we work with clients coast to coast, we are able to use online sharing software to provide our quarterly reviews over the phone and show in real-time an interactive display of the client's holdings and performance. With our old desk-top solution this just wasn't possible and we were forced into paper-based solutions that just didn't communicate our value and strategies," noted Jon.

Obtaining a real and dynamic return on investment (ROI) was also a high priority for Jon and SBCA. "In these times of market volatility and pressures on margins, operational efficiencies are now a mandate in order to keep us successful and growing," commented Jon. "The areas of ROI that we realize from Black Diamond are in increased efficiency, flexibility and benefiting from their high service levels. On the efficiency front, it was very easy to realize time and cost savings just through our quarterly reporting processes. I used to dread

immensely quarter end as it would take us roughly a full week of manpower with our old software solution to generate the reports, collate and mail them, and that was just for about 20 households. Now, with Black Diamond, that process has been reduced to just about a half of a day. On the billing process, it would take a full day just to run billing and upload it to our custodian. Now, with Black Diamond, they handle multiple fee schedules easily and shorten the process to a matter of hours," commented Jon

"Really the core reasons that we have scaled our back-office around Black Diamond are the flexibility, efficiency and service that we get," noted Jon "At the end of the day, we are financial advisors, not technologists or operational specialists. We just want to get that stuff done so we can continue to tell our story to enhance our relationships with our clients and actively pursue acquiring new ones. Black Diamond has become an essential part of our value proposition and it has really helped us compete with what we call "the big boys." We look forward to continuing to growing our firm and partnering with Black Diamond," concluded Jon.

"Really the core reasons that we have scaled our back-office around Black Diamond are the flexibility, efficiency and service that we get"

Methodology and Financial Models

Size of Firm (AUM)	\$150M AUM			
	Software	Black Diamond	\$ Savings	% Savings
Technology Acquisition Costs				
Portfolio Accounting / Performance Reporting	\$30,000	\$37,500	-\$7,500	-25.0%
Billing	\$10,000	\$0	\$10,000	100.0%
Consulting Services	\$15,000	\$0	\$15,000	100.0%
IT & Dis Recovery & Compliance*	\$8,750	\$0	\$8,750	100.0%
Total Acquisition Costs	\$63,750	\$37,500	\$26,250	41.2%
Activity Costs				
On-going Staff Training (hours spent per year x \$40 per hour)	\$2,400	\$480	\$1,920	80.0%
Billing (hours spent per year x \$40 per hour)	\$2,352	\$588	\$1,764	75.0%
Reconciliation (hours spent per year x \$40 per hour)	\$16,992	\$1,000	\$15,992	94.1%
Report Generation (hours spent per year x \$40 per hour)	\$8,368	\$1,000	\$7,368	88.0%
Total Activity Costs	\$30,112	\$3,068	\$27,044	89.8%
Total Savings	\$93,862	\$40,568	\$53,294	56.8%

Size of Firm (AUM)	\$500M AUM			
	Software	Black Diamond	\$ Savings	% Savings
Technology Acquisition Costs				
Portfolio Accounting / Performance Reporting	\$41,000	\$75,000	-\$34,000	-82.9%
Billing	\$25,000	\$0	\$25,000	100.00%
Consulting Services	\$25,000	\$0	\$25,000	100.0%
IT & Dis Recovery & Compliance*	\$13,500	\$0	\$13,500	100.0%
Total Acquisition Costs	\$104,500	\$75,000	\$29,500	28.2%
Activity Costs				
On-going Staff Training (hours spent per year x \$40 per hour)	\$4,800	\$960	\$3,840	80.0%
Billing (hours spent per year x \$40 per hour)	\$5,360	\$1,340	\$4,020	75.0%
Reconciliation (hours spent per year x \$40 per hour)	\$24,384	\$3,000	\$21,384	87.7%
Report Generation (hours spent per year x \$40 per hour)	\$10,192	\$2,000	\$8,192	80.4%
Total Activity Costs	\$44,736	\$7,300	\$37,436	83.7%
Total Savings	\$149,236	\$82,300	\$66,936	44.9%

* Incremental Costs Equal to 25% of Total IT, Disaster Recovery & Compliance Costs vs. Online System

Size of Firm (AUM)	\$1 Billion +			
	Software	Black Diamond	\$ Savings	% Savings
Technology Acquisition Costs				
Portfolio Accounting / Performance Reporting	\$70,000	\$125,000	-\$55,000	-78.6%
Billing	\$50,000	\$0	\$50,000	100.0%
Consulting Services	\$50,000	\$0	\$50,000	100.0%
IT & Dis Recovery & Compliance*	\$21,250	\$0	\$21,250	100.0%
Total Acquisition Costs	\$191,250	\$125,000	\$66,250	34.6%
Activity Costs				
On-going Staff Training (hours spent per year x \$40 per hour)	\$7,200	\$1,440	\$5,760	80.0%
Billing (hours spent per year x \$40 per hour)	\$6,624	\$1,656	\$4,968	75.0%
Reconciliation (hours spent per year x \$40 per hour)	\$33,984	\$5,000	\$28,984	85.3%
Report Generation (hours spent per year x \$40 per hour)	\$28,256	\$3,000	\$25,256	89.4%
Total Activity Costs	\$76,064	\$11,096	\$64,968	85.4%
Total Savings	\$267,314	\$136,096	\$131,218	49.1%

* Incremental Costs Equal to 25% of Total IT, Disaster Recovery & Compliance Costs vs. Online System



Notes & Assumptions

- Software is what a firm would spend on this activity with typical software solution
- Black Diamond is what a firm would spend with an outsourced online solution
- \$150 mm AUM = 200 clients - 3 concurrent users
- \$500 mm AUM = 400 clients - 6 concurrent users
- \$1 billion AUM = 650 clients - 12 concurrent users
- Term License pricing for software
- 3 year Term contract where year 1 costs are higher than subsequent years
- Consulting includes billable daily rate + T & E
- IT Infrastructure and hardware estimates limited to workstation, server, storage, and basic O/S
- Disaster Recovery & Compliance estimates limited to software licensing, workstation, server, & storage

	Medium (\$1B - \$2B)	Small (\$500M - \$1B)	Extra Small (<\$500M)
Work hours reconciling per month	70.8	50.8	35.4
Work hours reporting per quarter	176.6	63.7	52.3
Work hours generating bills and tracking receivables per quarter	41.1	33.5	14.7
Work hours on-going training per month	15.0	10.0	5.0

Source From the 2008 Asset Management Operations and Compensation Survey - Advent, Investment Adviser Association and Advent Users Group

About Black Diamond

Founded in 2003, Black Diamond Performance Reporting™ offers a powerful tool for advisors and wealth managers by providing unbiased, outsourced investment performance reporting. The Black Diamond solution is a highly customizable, Web-based performance reporting solution that provides accurate, timely and meaningful data allowing advisors and wealth managers to tell their investment performance story. Using its proprietary reconciliation engine, Black Diamond reconciles its clients' data on a daily basis so advisors and wealth managers always have the most current reporting information available at their fingertips. Black Diamond Performance Reporting™ is headquartered in Jacksonville, Florida, with offices in San Francisco and Dallas.

www.blackdiamondreporting.com

About Nexus Strategy, LLC

Nexus Strategy is an innovative consulting firm that provides strategic advice, research and guidance to the wealth management industry. With over 15 years of experience working with independent investment advisors and the industry's leading institutions, Nexus Strategy is uniquely positioned to bring the latest thinking, industry knowledge and creativity to successfully provide end-to-end, comprehensive consulting services, advice and project management. Current clients include major financial institutions, technology firms, broker/dealers, custodians, investment product suppliers and industry associations.

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Black Diamond is a service company that partners with advisors to attract assets, grow assets and increase productivity. Black Diamond seeks to transform the industry by providing solutions that inspire advisors to do something great today.

do something great today