

The Evolution of Investment Management

Varium Investment Partners

(Varium = Latin for “Different”)



Varium Investment Partners Value Proposition

A Unique Partnership for Independent RIAs



Varium Investment Partners Mission

To Create a Unique and Innovative Partnership
that is the Next Evolution of the Relationship
between Advisors and their Investment
Management Solutions.



Varium Investment Partners Mission

To Deliver a Superior Result for our Partners in
2 Critical Areas:

1. Investment Process, Delivery, and Results
2. Maximize RIA Firm Value and ROI



Three Critical Shortfalls of an RIA

Our Unique Model addresses 3 Critical Shortfalls of the RIA Model

1. Investment Solution Efficiency – Getting the Most out of Your Limited Resources – Time, Effort, People, and Capital
2. Capturing “Lost Value” Forfeited to Third-Parties in Traditional RIA Investment Models
3. Monetizing the “Lost Value” in a Way that is Accretive to All Stakeholders – RIA Firms, their Advisors, and the Advisory Clients



VARIUM INVESTMENT PARTNERS

We have created a unique and innovative partnership between investment management professionals and growth-oriented RIAs to maximize both the value and efficiency of the Investment Management Solutions Advisors employ on behalf of their clients.



VARIUM INVESTMENT PARTNERS

The Varium Investment Partners model solves 2 primary problems facing advisors:

- 1. Valuation** - Maximizing Advisors' firm ROI by capturing and monetizing the "lost value" transferred to third party investment solutions
- 2. Investments** - Poor or inefficiently designed and/or managed investment processes resulting in poor investment results.



VARIUM INVESTMENT PARTNERS - SOLUTIONS

Investments –

In close collaboration with internal RIA teams, our team of highly credentialed and experienced institutional portfolio managers and strategists develop or refine investment offerings as an “In-Sourced” CIO solution.

We will explain all of the details of our process, people, and systems later; for now, let’s focus on the powerful economics of the partnership.



VARIUM INVESTMENT PARTNERS - SOLUTIONS

Valuation -

Economically, our partnership allows RIAs to own and accumulate valuable equity in Varium Investment Partners. Varium's model:

1. Disintermediates the traditional channel of third-party investment solutions, without using proprietary products
2. Captures the "Lost Value" transferred to third party investment solutions
3. Shares the "re-captured" value with our RIA Partners via equity ownership in Varium Investment Partners.



VARIUM INVESTMENT PARTNERS PARTNERSHIP

Across the industry, this “lost value” amounts to billions of dollars of transferred wealth from RIA firms to investment firms.

Varium Investment Partners recaptures and monetizes that “lost value”.

The result....



VARIUM INVESTMENT PARTNERS PARTNERSHIP

Value creation for the Varium Partnership that
DOUBLES the value of our partners' RIA Firms.

It's different, it's unique, it's innovative, but it works.

Let's do the math using our sample RIA...



VALUE OF AN INDEPENDENT RIA – SAMPLE RIA

- Firm AUM is \$500,000,000
- Average Advisory Fee of 75 BPs
- Revenue of \$3,750,000
- Free Cashflow Margins of 50%
- Free Cashflow of \$1,875,000
- Free Cashflow Multiple of 6x
- **Original Firm Value: \$11,250,000**



Now Let's figure out what the Varium
Partnership is worth....

Varium Investment Partners Valuation Assumptions:



VALUE OF VARIUM INVESTMENT PARTNERS – SAMPLE CASE

- RIA Equity Partners: 10
- Average Partner Ownership Stake: 5%
- Average Partner AUM: \$500,000,000
- Average Varium Management Fee: 75 BPs
- Varium Free Cashflow Margin: 50%
- Varium Free Cashflow Multiple: 10x



VARIUM INVESTMENT PARTNERS VALUATION

Varium's Annual Free Cashflow - \$18,750,000

Varium's Equity Value - \$187,500,000



VARIUM INVESTMENT PARTNERS VALUATION

Pro-rata Value per Advisor Partner:

Advisors' Free Cashflow Distribution - \$937,500

5% of \$18,750,000 in Varium Free Cashflow

Advisors' Equity Value - \$9,375,000

5% of \$187,500,000 in Varium Equity Value



Let's see what impact this has on the Advisor Partners' valuation....We will start with the increased Free Cashflow (valued at the advisors multiple of 6x)



THE FIRST VALUE DRIVER – FREE CASHFLOW EXPANSION

Partnership Profit Distribution:

- Increases the advisors' Free Cashflow
- Increases the total value of the firm by 50%
- Using existing Advisory AUM
- Adding no additional costs

Free Cashflow:

\$1,875,000 Advisory Firm
\$937,500 VIP Profit Share
\$2,812,500

RIA Value:

\$11,250,000 Advisory Firm
\$5,625,000 VIP Profit Share
\$16,875,000 Total Value

% increase in Total Firm Value:
50%



PARTNERSHIP ECONOMICS – FREE CASHFLOW IMPACT

Free Cashflow:

\$ 1,875,000 Original Advisory Free Cashflow (No Partnership)

RIA Value:

\$ 11,250,000 Original Advisory Total Value (No Partnership)



PARTNERSHIP ECONOMICS – FREE CASHFLOW IMPACT

Free Cashflow:

\$ 1,875,000	Original Advisory Free Cashflow (No Partnership)
\$ 937,500	Additional Free Cashflow from VIP Profit Sharing
<hr/>	
\$ 2,812,500	Total Free Cashflow w/Partnership

RIA Value:

\$ 11,250,000	Original Advisory Total Value (No Partnership)
---------------	--



PARTNERSHIP ECONOMICS – FREE CASHFLOW IMPACT

Free Cashflow:

\$ 1,875,000	Original Advisory Free Cashflow (No Partnership)
\$ 937,500	Additional Free Cashflow from VIP Profit Sharing
<hr/>	
\$ 2,812,500	Total Free Cashflow w/Partnership

RIA Value:

\$ 11,250,000	Original Advisory Total Value (No Partnership)
\$ 5,625,000	Additional Value of VIP Profit Sharing



PARTNERSHIP ECONOMICS – FREE CASHFLOW IMPACT

Free Cashflow:

\$ 1,875,000	Original Advisory Free Cashflow (No Partnership)
\$ 937,500	Additional Free Cashflow from VIP Profit Sharing
<hr/>	
\$ 2,812,500	Total Free Cashflow w/Partnership

RIA Value:

\$ 11,250,000	Original Advisory Total Value (No Partnership)
\$ 5,625,000	Additional Value of VIP Profit Sharing
<hr/>	

\$ 16,875,000 **New Advisory Firm Value ex. Equity Value**



PARTNERSHIP ECONOMICS – FREE CASHFLOW IMPACT

Free Cashflow:

\$ 1,875,000	Original Advisory Free Cashflow (No Partnership)
\$ 937,500	Additional Free Cashflow from VIP Profit Sharing
<hr/>	
\$ 2,812,500	Total Free Cashflow w/Partnership

RIA Value:

\$ 11,250,000	Original Advisory Total Value (No Partnership)
\$ 5,625,000	Additional Value of VIP Profit Sharing
<hr/>	

\$ 16,875,000 **New Advisory Firm Value ex. Equity Value**
50% **% increase in Firm Value ex. Equity Value**



But it gets better....



PARTNERSHIP ECONOMICS – THE VALUE OF OWNERSHIP

The value of Equity Ownership creates even more value...

Equity Ownership Value + Increased Free Cashflow = \$15,000,000 of Value

RIA Value:

\$11,250,000 Advisory Firm

\$5,625,000 VIP Profit Share

\$16,875,000 New Total Value

Ownership of 5% of VIP Equity:

\$9,375,000

New Total Value of Firm:

\$26,250,000

% increase in Total Firm Value:

133.33%



PARTNERSHIP ECONOMICS – A CLOSER LOOK

\$ 11,250,000 Original Value of Advisory Firm (No Partnership)

\$ 16,875,000 Value of Advisory Firm w/Partnership Free Cashflow



PARTNERSHIP ECONOMICS – A CLOSER LOOK

\$ 16,875,000 Value of Advisory Firm w/Partnership Free Cashflow

\$ 9,375,000 Ownership of 5% of VIP Equity



PARTNERSHIP ECONOMICS – A CLOSER LOOK

\$ 16,875,000 Value of Advisory Firm w/Partnership Free Cashflow

\$ 9,375,000 Ownership of 5% of VIP Equity

\$ 26,250,000 New Total Value of Advisory Firm w/ Partnership



PARTNERSHIP ECONOMICS – A CLOSER LOOK

\$ 16,875,000 Value of Advisory Firm w/Partnership Free Cashflow

\$ 9,375,000 Ownership of 5% of VIP Equity

\$ 26,250,000 New Total Value of Advisory Firm w/ Partnership

\$ 15,000,000 Increase in Value of Advisory Firm w/ Partnership



PARTNERSHIP ECONOMICS – A CLOSER LOOK

\$ 16,875,000 Value of Advisory Firm w/Partnership Free Cashflow

\$ 9,375,000 Ownership of 5% of VIP Equity

\$ 26,250,000 New Total Value of Advisory Firm w/ Partnership

\$ 15,000,000 Increase in Value of Advisory Firm w/ Partnership

133.33% % Increase in Advisor's Total Firm Value



**The Varium Partnership more than
DOUBLED the value of the Advisor
Partners' firm!**



VARIUM INVESTMENT PARTNERS – PARTNERSHIP PAYS

Because of the Value of Scale and Leverage Inherent in Investment Management,

Greater AUM leads to:

- Higher Free Cashflow Margins
- Higher Free Cashflow Multiples
- Which Expand at an Exponential Rate
- Every Additional Billion Dollars in AUM adds More Value than the Last Billion Dollars.

Put it all together.....



VARIUM INVESTMENT PARTNERS – PARTNERSHIP PAYS

Collaboration Creates Value
Teamwork Creates Value
Specialization Creates Value

By partnering and scaling our collective businesses, we not only create efficiencies and foster growth, we create a significantly more valuable firm than any single firm can create on their own.



VARIUM INVESTMENT PARTNERS

Projected Total Firm Value of AUM:

Assets Under Management (MM)	Fee Revenue	Varium IP Free Cashflow	Varium IP's Valuation
1,000	7,500,000	3,000,000	24,000,000
2,000	15,000,000	6,750,000	60,750,000
3,000	22,500,000	11,250,000	101,250,000
4,000	30,000,000	15,000,000	150,000,000
5,000	37,500,000	18,750,000	187,500,000
6,000	45,000,000	24,750,000	272,250,000
7,000	52,500,000	28,875,000	346,500,000
8,000	60,000,000	36,000,000	432,000,000
9,000	67,500,000	40,500,000	486,000,000
10,000	75,000,000	45,000,000	540,000,000
11,000	82,500,000	49,500,000	594,000,000
12,000	90,000,000	54,000,000	648,000,000
13,000	97,500,000	58,500,000	702,000,000
14,000	105,000,000	68,250,000	819,000,000
15,000	112,500,000	78,750,000	1,023,750,000



To explore options for becoming a Varium Investment Partners owner and RIA Partner, please contact:

Scott Hill, Head of Business Development & Advisor Partnerships

swhill@variumip.com

615-337-8127

