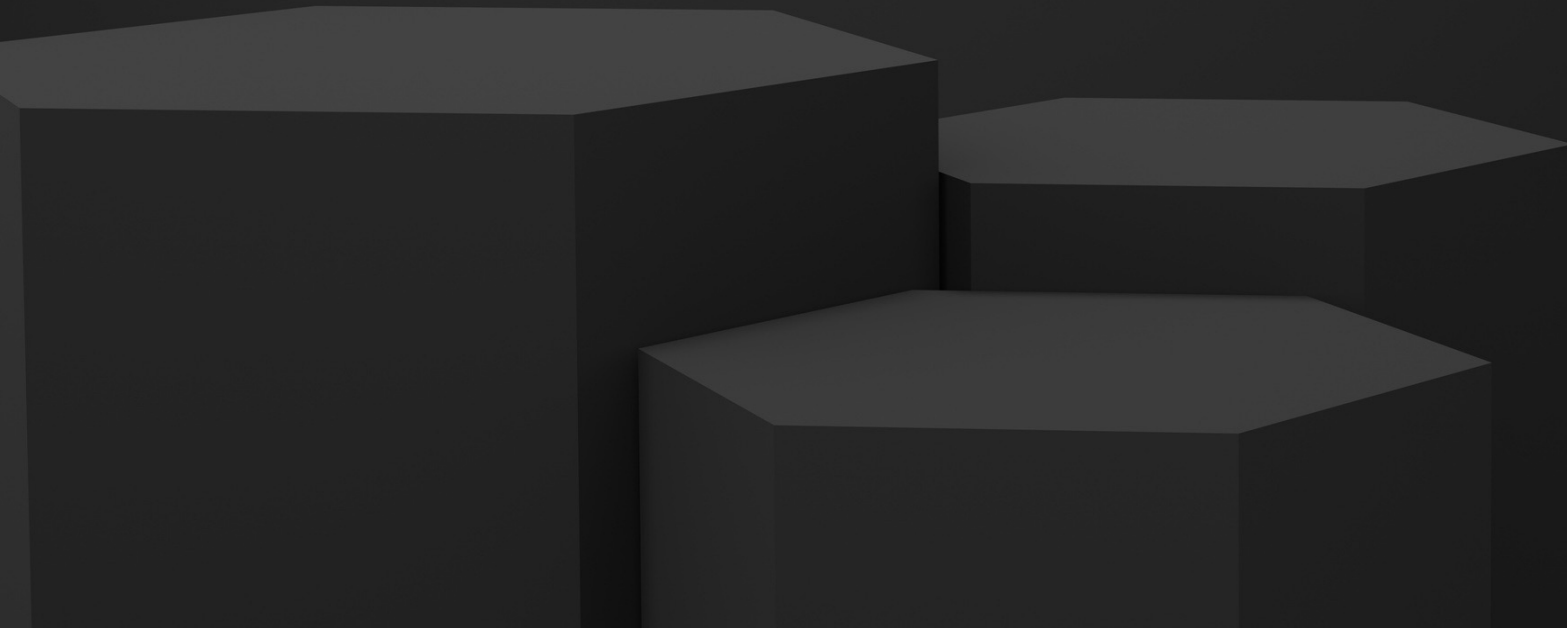




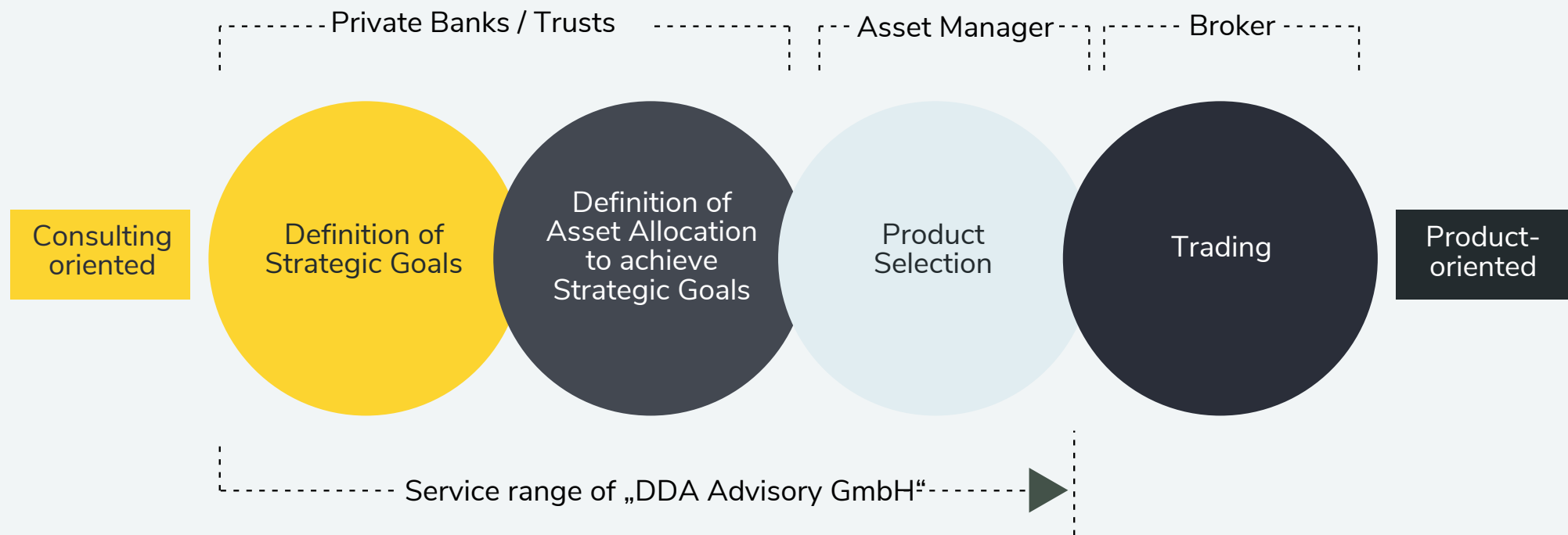
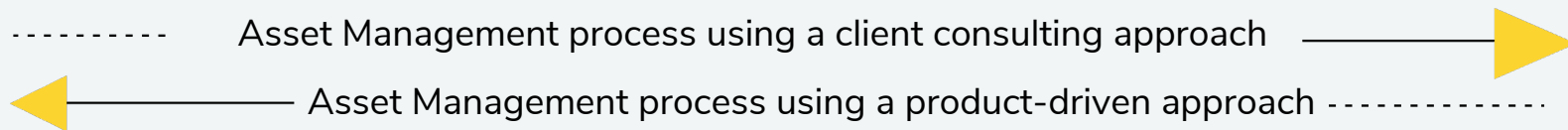
DDA ADVISORY

FAMILY OFFICE SERVICES





# Consulting Process



“Family Office” as a consulting-driven service is growing fast – DDA Advisory fulfills clients’ needs

# Consulting Process

More and more, High-Net-Worth-Individuals (HNWI), families and institutional investors are looking for better consulting services provided by their “trusted adviser”

- The “trusted adviser” relationship is the core element of a long-lasting relationship between the wealth-owner and the consultant
- In recent years, clients increasingly had bad experiences with banks, which – in contrast to their claim of independent advice – added more and more inhouse products to the client portfolios
- While investors usually have numerous relationships with asset managers, they are at the same time looking for personal consultants, who guide them through complex issues and investment strategies, such as digital & crypto assets
- UHNWI, HNWI and institutional investors have become increasingly open and experienced with regard to their financial needs and their investment strategies
- Wealthy individuals and institutional investors are seeking experienced and trustworthy consultants, to whom they can develop the necessary confidence for complete and bank-independent wealth management services
- Clients expect their „trusted advisers“ to understand their situation in a broader context, which include the personal, as well as family issues, business interests and questions concerning specific asset classes, such as digital and crypto assets



# Consulting Process

In summary, the following reasons support the attractiveness of the business segment “Family Office”

**01**

Growing number of HNWI, UHNWI and institutional investors

**04**

HNWI and institutional investors have become increasingly open and experienced with regard to their financial needs and their investment strategies

**02**

Increase of average wealth position of HNWI and UHNWI

**05**

Reputation damage of banks and unhappiness with their service offerings

**03**

Complexity of capital markets, investment products (i.e. crypto), as well as of private wealth situation and disposition

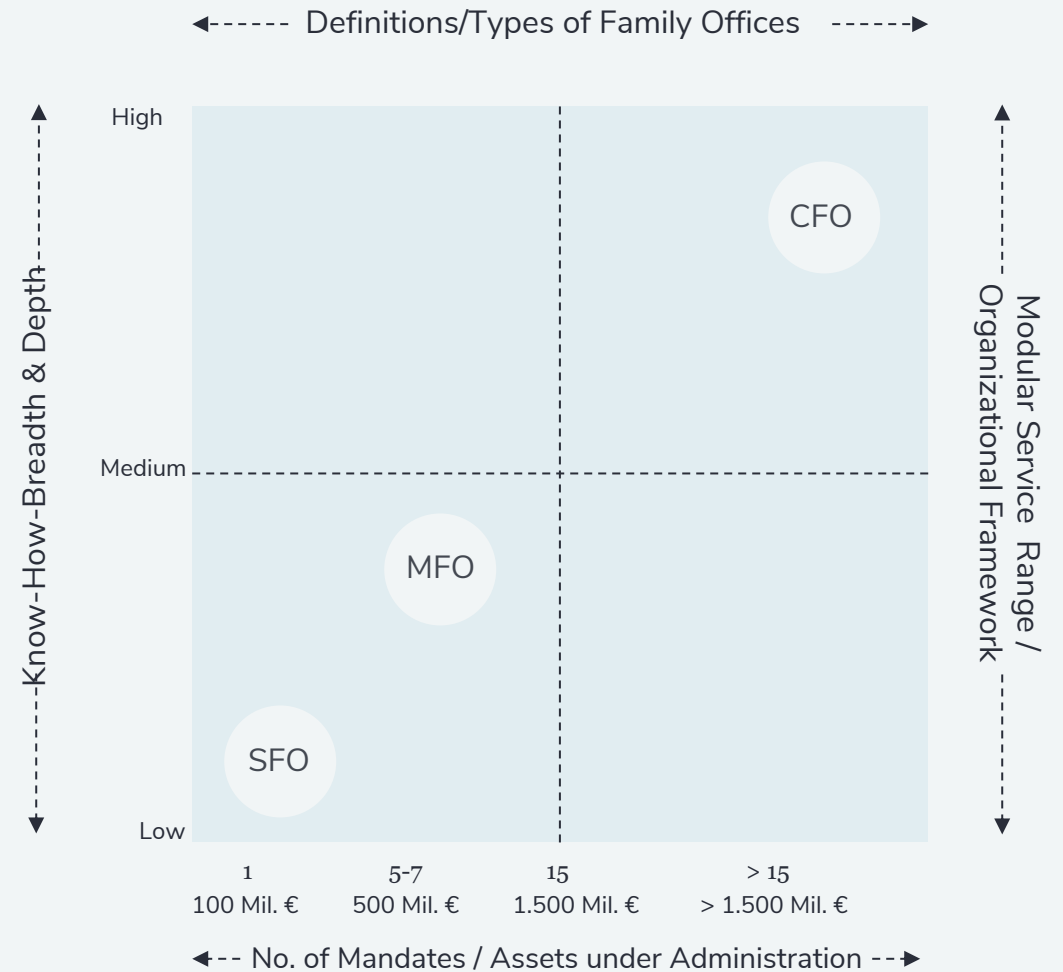
# Business Segment – Family Office

Almost all Family Offices in Germany only focus on Reporting and Controlling services

SFO = Single Family Office

MFO = Multi Family Office

CFO = Corporate Family Office



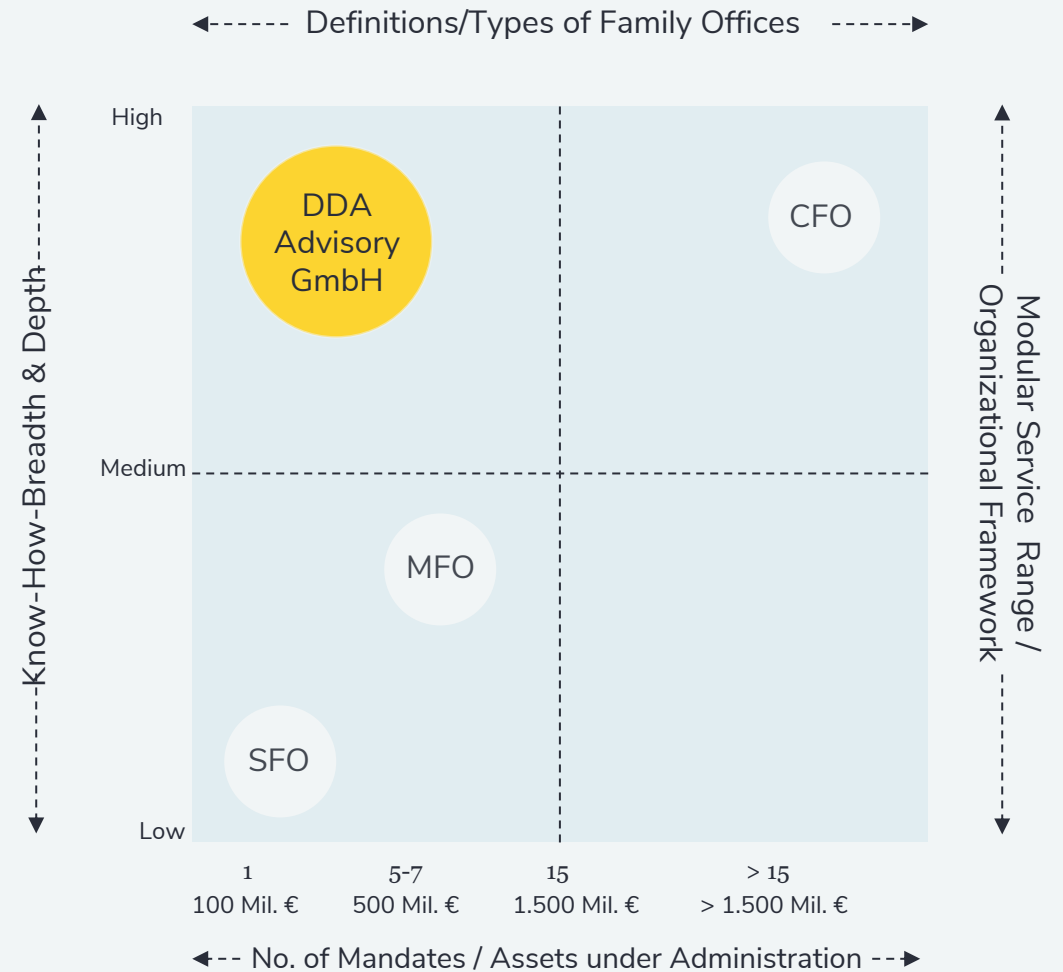
# Business Segment – Family Office

Due to the interfaces offered by DDA Advisory GmbH and its network of specialists, the company can offer significant opportunities for its clients – the company offers a wide range of consulting services starting at 10 million Euros

SFO = Single Family Office

MFO = Multi Family Office

CFO = Corporate Family Office



# Expertise Across Diverse Asset Classes and Income Sources

Family Office services offered by DDA Advisory GmbH cover a wide range of different asset classes and income sources

Determination of Overall Wealth Position/Structure			
Investments	Tax Category	DDA Advisory GmbH	Objective
Securities (Equities, Bonds)	Capital Income (Interest, Dividends)	Reporting, Controlling, Consulting, Balance Sheet, Profit and Loss Statement, Tax Optimization	Wealth preservation after taxes and inflation over generations
Participations	Commercial Income (Pay-outs)		
Real Estate	Rental Income (Rents, Depreciations /Write-offs, Costs for interest and maintenance)		

# Consulting, Controlling and Reporting

The firm's detailed Family Office process is split into three components: Consulting, Controlling and Reporting

## Consulting

- Strategic Asset Allocation: Concepts and implementation
- Dynamic portfolio protection concepts
- Overlay management
- Market observation and evaluation of investment products
- Cooperation with a comprehensive network of investment specialists
- Manager selection in accordance with a detailed selection process (Questionnaire, Beauty contest)
- Negotiation of contracts, including fee arrangements for clients
- Definition of investment guidelines

## Controlling

- Monthly reconciliation of all positions within client portfolio
- Analysis of compliance with investment guidelines
- Active liquidity management
- Risk management
- Credit analysis / rating
- In-depth participations analysis
- Cost management (i.e. transaction costs and management fees)
- Legal reporting requirements
- Tax rebates

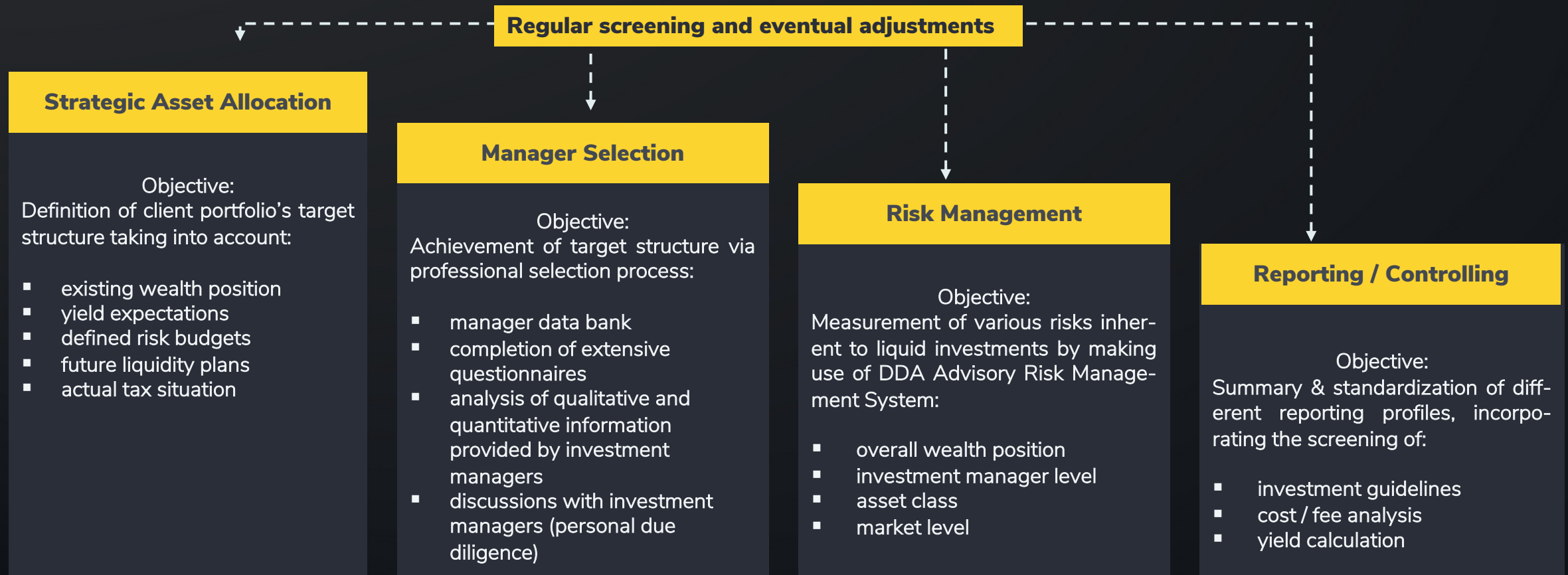
## Reporting

- Balance sheet and profit / loss statements based on financial bookkeeping system
- Regular cashflow planning as support for budgeting decisions
- Established systems for performance measurement of all investment holdings
- Individual evaluations and analyses, i.e. individual transactions, realized results, sectoral developments, turnover volume and velocity, currencies
- Preparation of documents for audit purposes
- Special reporting for controlling bodies of trusts, investment committees and/or supervisory boards



# Expertise Across Diverse Asset Classes and Income Sources

Family Office services offered by DDA Advisory GmbH cover a wide range of different asset classes and income sources





# Strategic Asset Allocation

**DDA Advisory GmbH puts its consulting emphasis on Strategic Asset Allocation and its ramifications**

## Determination of...

Investment Timing	1,8%
Other (i.e. segment)	2,1%
Stock Selection	4,6%

**... defines the yield**

**Strategic Approach**

**91,5%**



Identification of correct asset class structure within the overall investment portfolio ("Asset Allocation") defines the yield of any given portfolio

# Strategic Asset Allocation

Development of Strategic Asset Allocation as Base Allocation leads to...

**1**

Development of yield targets, incorporating the client's permitted risk tolerance levels and investment objectives

**2**

Determination of relevant asset classes, their respective share of the overall portfolio and the respective ranges

**3**

Development and presentation of proposal for base allocation

**4**

Reconciliation of discussed base allocation with existing portfolio and other restrictions

**5**

Definition of investment guidelines for overall portfolio and relevant asset classes as decision document for approval process

**6**

Notification of implementation process (i.e. timeline, investment vehicles)

# Selection of appropriate investments in defined asset classes

Strategic Asset Allocation - Selection Factors:

**01**

Definition of relevant asset classes, and differentiation between „risk reduced“ and „risk bearing“ asset classes

**02**

Analysis of historic yield and risk data of relevant asset classes

**03**

Deviation of respective medium-term forecasts for yields and risks

**04**

Definition of base allocation, taking into consideration client instructions, as well as taxation framework

**05**

Annual re-balancing. Comparison of yield and risk data with specific instructions (including differentiation analysis)

**06**

Iterative development of alternative allocations

# DDA Advisory GmbH also offers a monthly Tactical Asset Allocation

## Steering of Tactical Asset Allocation

- Aggregation and preparation of portfolio and income data with regard to investment managers and asset classes
- Sector and risk-adjusted performance analysis of investment management mandates
- Examination of tactical asset allocation per asset class based on actual performance contribution, performance potential and risk budget
- Reconciliation of risk budgets per asset class
- Analysis of investment mandates regarding compliance with investment guidelines
- Cross-check of investment process timeline in an effort to achieve strategic asset allocation
- Reconciliation of target allocation with status quo allocation of overall portfolio and within the various asset classes – eventual adjustment of tactical asset allocation may be necessary
- Ongoing communication with mandated investment managers and continuation of investment manager selection process for those asset classes not yet invested in

# Semi-Annual Analysis of Strategic Asset Allocation

Strategic Asset Allocation of clients' portfolios will be analyzed in-depth on a semi-annual basis



Reconciliation of actual allocation with agreed-upon strategic asset allocation (base allocation)



Verification of yield and risk assumptions with regard to their prospective validity



Possible minor adjustments to base allocation using the adjusted yield and risk data



Analysis of future suitability of mandated investment managers, including preparation of alternative replacements



Active participation in general meetings of investment managers on behalf of client

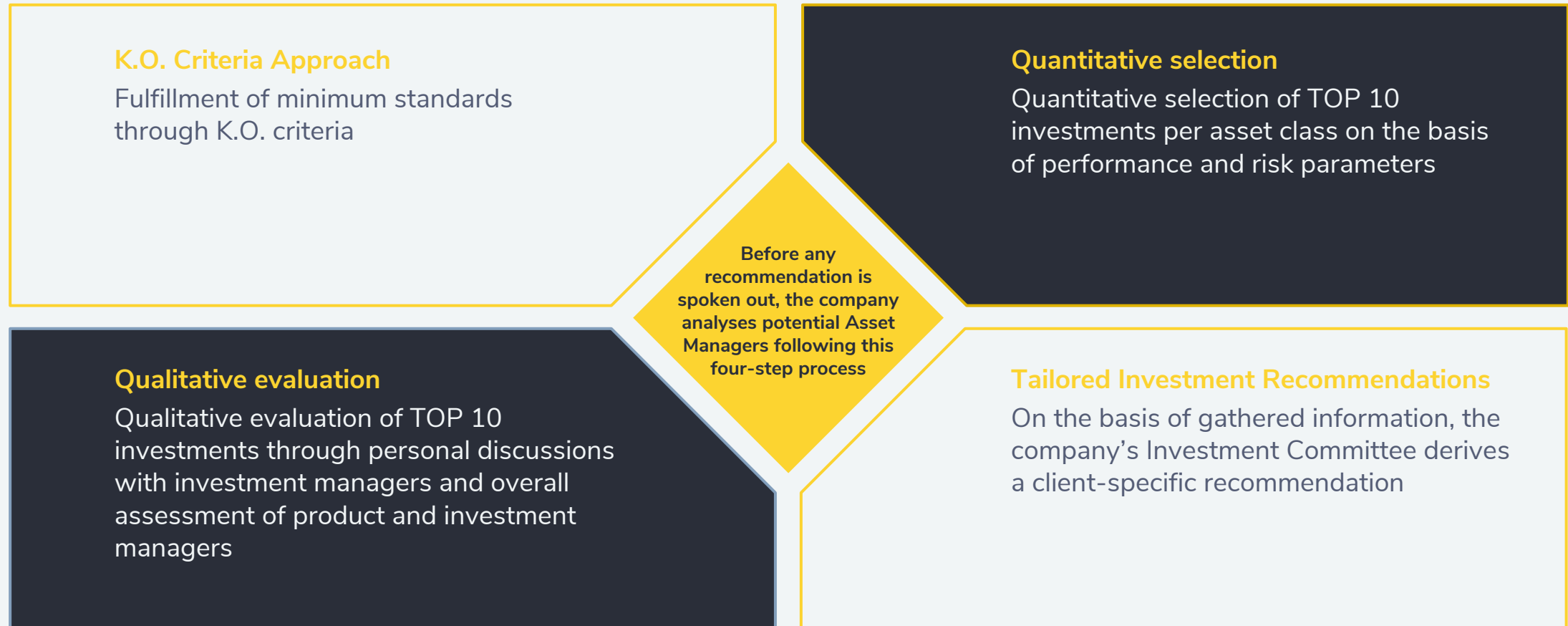


Preparation of general meetings and writing of minutes



# Four-step approach in its manager selection process

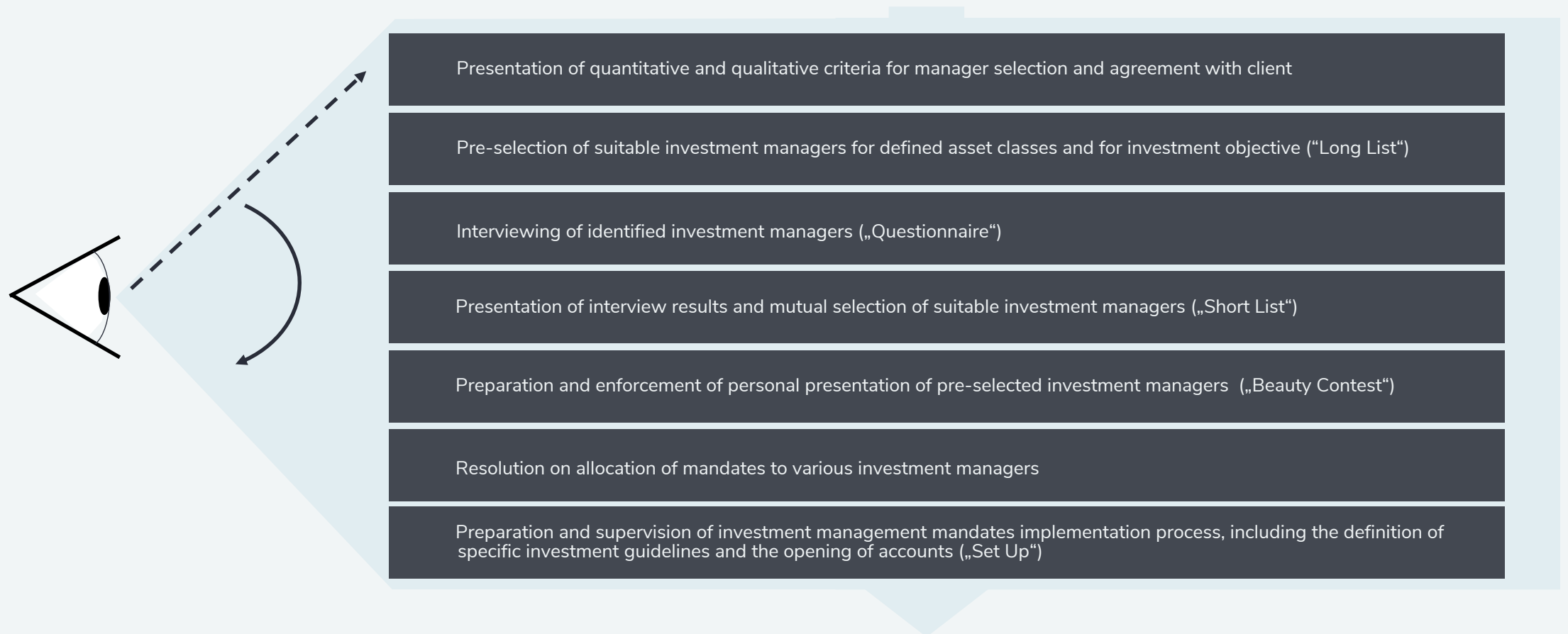
DDA Advisory GmbH follows a four-step approach in its manager selection process:



# Asset Manager Selection Process



The detailed steps of the manager selection process are as follows:

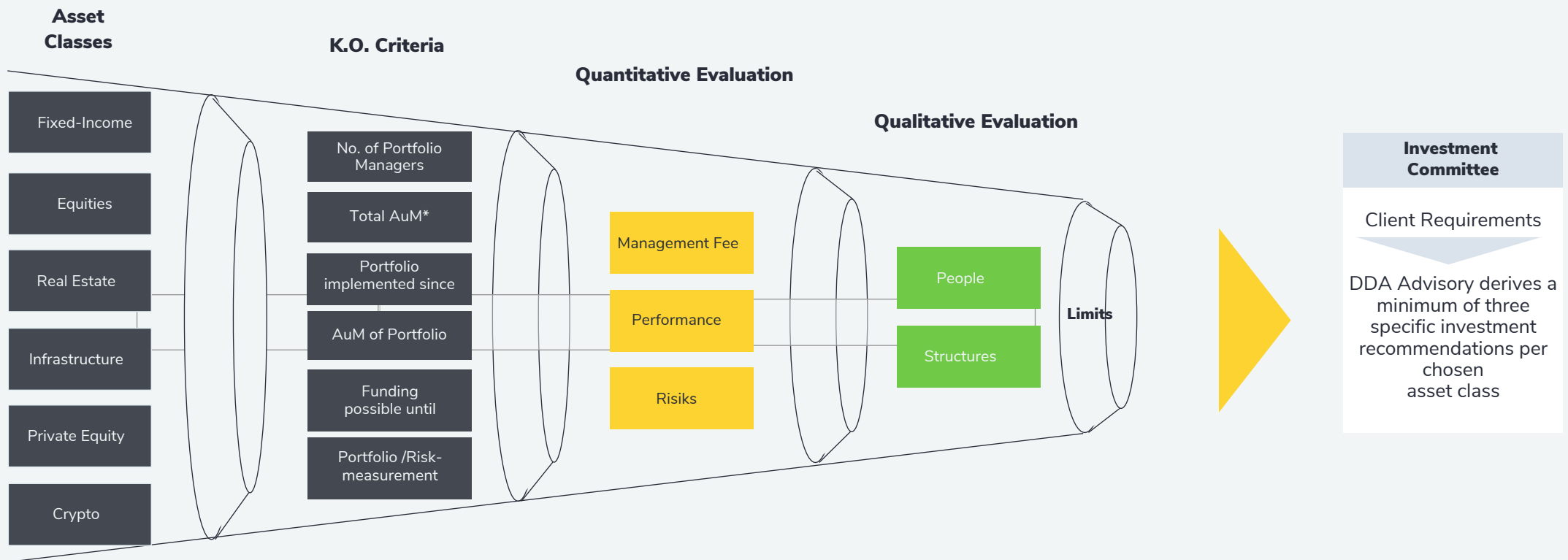






# Manager Selection process

Manager Selection process of DDA Advisory GmbH guarantees that standards are met which the clients and the company agreed upon



# Our Quantitative Evaluation in line with Detailed Criteria

## Quantitative Evaluation

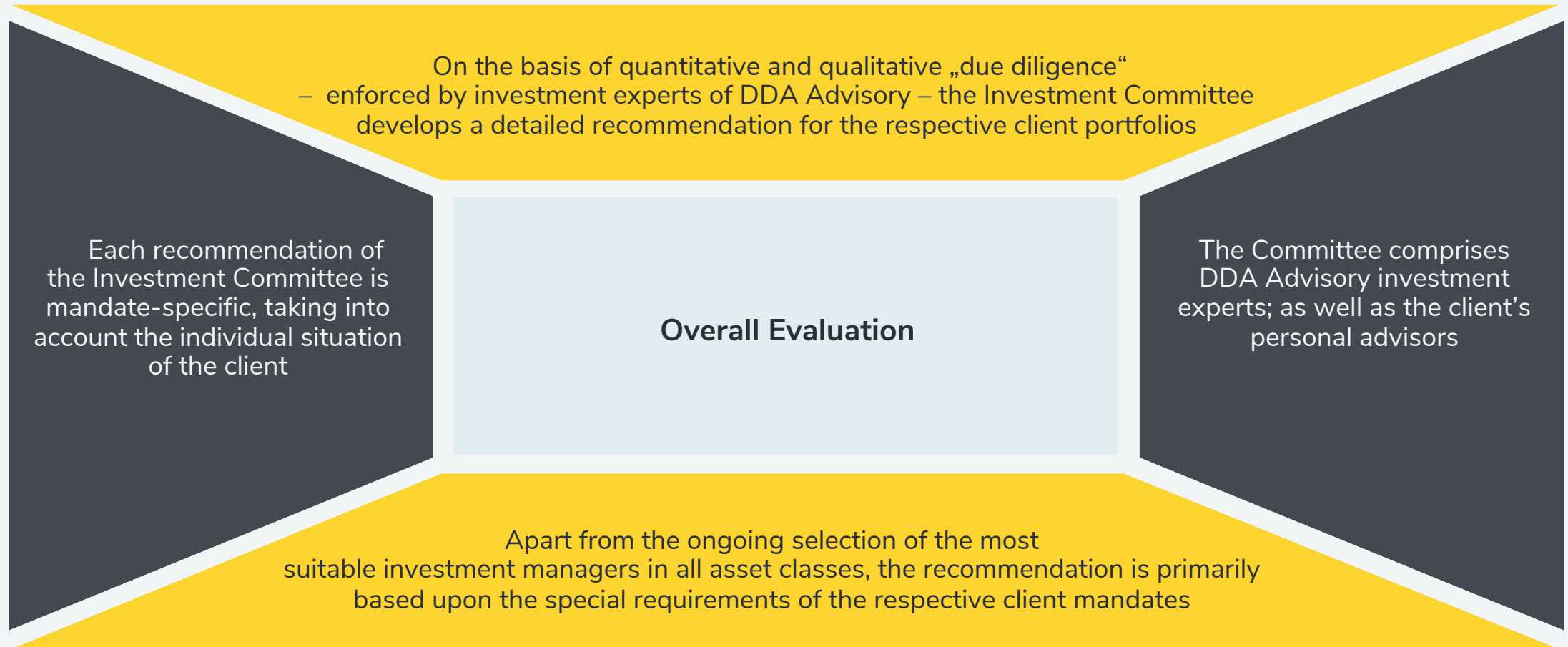
- High-water-mark
- Performance fee
- Emergency plan, in case of loss of key personnel
- Loss recovery time (in months)
- Average information ratio (for three and five year period)
- Achieved multiples p.a.
- Internal Rate of Return
- Tendency of risk-adjusted performance over time
- Risk-adjusted performance for the last year
- Risk-adjusted performance for the last three and five years
- Outperformance against chosen benchmark
- Performance responsibility of analysts
- Liquidity and capital problems
- Volume of portfolio given a date (in reporting currency)
- (Model) Portfolio implemented since (Month/Year)
- Disaster recovery time (in hours)
- Dependence of bonus on portfolio performance
- Personnel changes in portfolio management
- Average number of portfolios per portfolio manager
- Net-cash inflow in percent of Assets under Management
- Founding year of company

## Qualitative Evaluation

- Those investment managers that offer the most attractive quantitative perspective will be visited and questioned twice per annum by an experienced team of Bernhardt Advisory specialists
- The existing data base will be expanded continuously with new investment managers
- The personal „due diligence“ is structured in line with standardized evaluation criteria, and can vary from client to client (objectifying of subjective impressions)
- Important information regarding the responsible staff, as well as the organization of the investment management company must be obtained in these meetings in order to enable Bernhardt Advisory to develop trust in the ongoing ability of the investment manager to perform



# Overall Evaluation and Recommendation of Investment Committee





# DDA Advisory's definition and understanding of risk

The risk of any investment is that unexpected events can occur within a given investment period which can influence the value of the investment. As a consequence, the forecasted yield ex ante can take on a wide range of shapes

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In principle, the risk parameters define the deviation from the mean should an unexpected event occur

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Under the term “risk” one can summarize quite a number of key indicators. Depending on the asset class and the observation period, different risk parameters can be applied for the measurement of the risk of a particular investment

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# Risk Management

Because of the great importance of the subject “risk”, it is absolutely necessary that a “Risk Management-System” is in place

1

The performance analysis of different investment managers is very often purely based on comparisons of the achieved yields within a given period. This approach neglects important yield / risk correlations. Consequently, the key question is: What degree of risk was taken to achieve the stated yields?

2

A regular measurement of risks helps to identify changes in investment styles of a particular investment manager. This can be the case if a change in the portfolio management took place or if higher risks were accepted due to performance pressure. Should changes be recognized, personal discussions with the respective portfolio managers must take place in effort to establish the reasons for the change of the yield / risk profile.

3

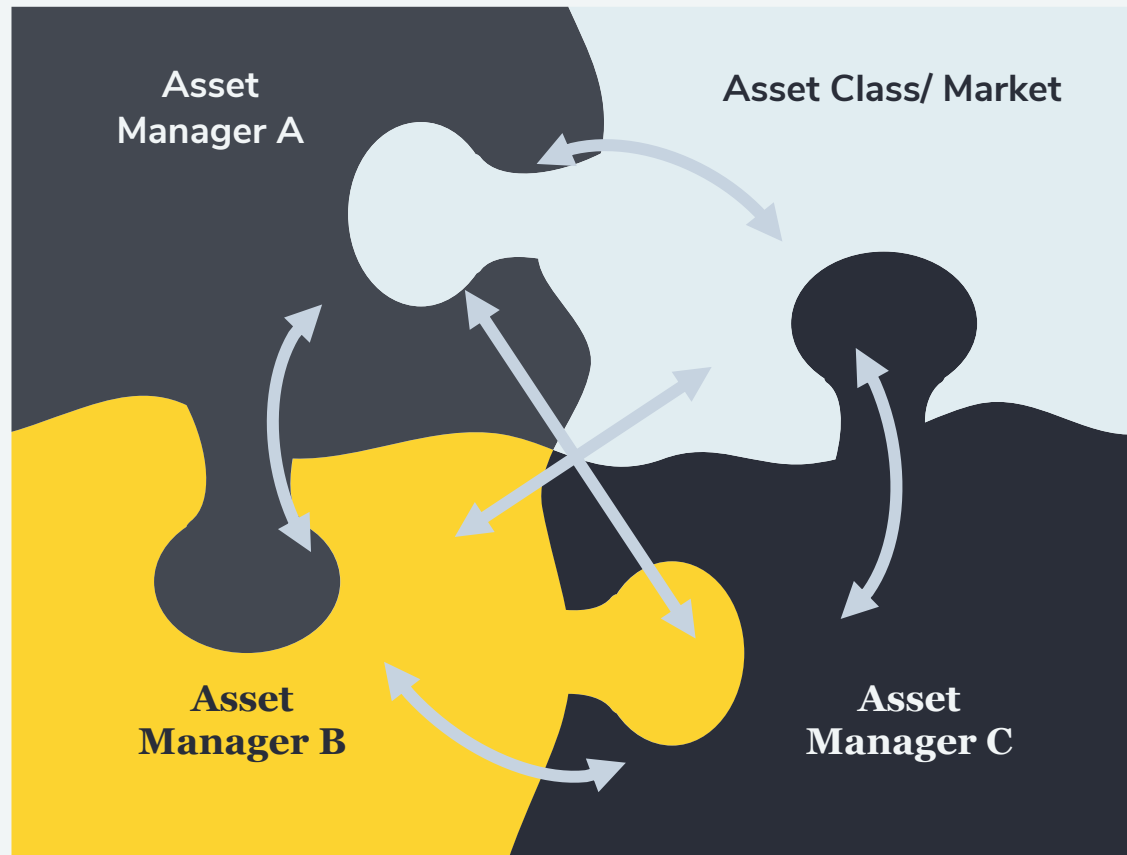
In times of unstable capital markets, it is absolutely essential to identify the current risks of the overall portfolio, the respective investment managers and the different asset classes in order to derive necessary adjustments in the portfolio structure.

**The identification and measurement of investment risks is imperative within the framework of a systematic and professional investment policy**



# Risk Management

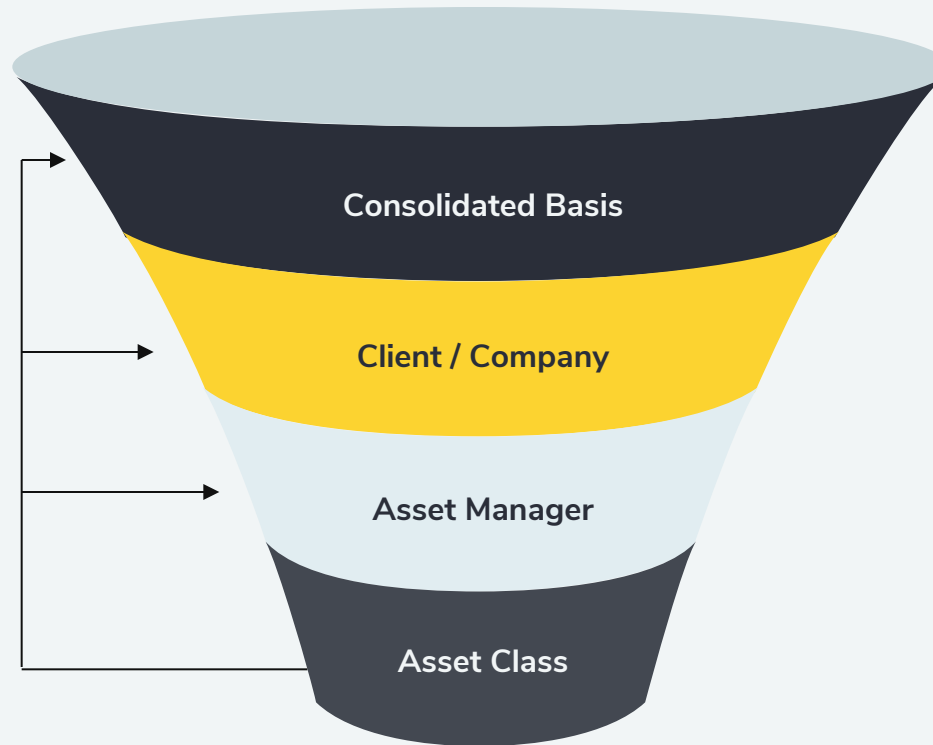
Risks can occur in different shapes → Relative Risks as Benchmark for Comparisons (Example: Different Investment Managers)





# Risk Management

Risks can occur in different shapes → Absolute Risks at Different Levels of the Overall Portfolio



# Risk Management Process

Objective of Risk Management at DDA Advisory GmbH is the identification, steering and controlling of potential risks



**1**

**Risk Identification**



**2**

**Risk Analysis**



**3**

**Risk Evaluation**



**4**

**Risk Steering**



**5**

**Risk Supervision**





# Reporting and Controlling

Reporting and Controlling are at the core of the Family Office services provided by DDA Advisory GmbH

## Delivery of Statements and Processing Preparation

- Delivery to DDA Advisory GmbH
- Encoding
- Scanning
- Transfer of electronic statements to external service provider

Advantage:  
Immediately documented in electronic format

## Processing of Documents

- Registration of each statement
- Reconciliation of statement with booking
- Electronic supervision of work-flow process for all scanned documents

Advantage:  
Immediately available in system upon booking

## Filing

- Storage of original documents in line with legal deadlines
- Electronic archive with regular and multiple data protection

Advantage:  
Originals are readily available for audits

# Quality and security of data work-flow

DDA Advisory GmbH guarantees quality and security of data work-flow

**01**

Central handling and control with immediate scanning of all documents and consecutive storing in security area

**02**

Electronic archival system with link to booking routine guarantees fast and complete online-access to documents

**03**

Timely booking of transactions through highly trained and long-term employees of DDA Advisory GmbH with back-up final control (Four-Eyes-Principle)

**04**

Trained team takes care of permanent handling of transactions and reciprocal replacements, guaranteeing an up to date accounting status with out back log

**05**

Reconciliation of booking accounts with the support of automated IT-protocol



# Financial Bookkeeping

Financial Bookkeeping is the base for the Family Office services provided by DDA Advisory GmbH

Bookkeeping-based reporting system as core components of asset allocation of private and / or commercial portfolios

In and outflows of investments are individually documented and stored

Detailed account plans (more than 250 accounts) and pre-defined transaction cases (more than 90) enable the processing of more than 400 different bookings



Effective booking systematic can be applied to different asset classes (liquid versus illiquid investments, i.e. equities, participations, real estate, etc.)

Evaluation of wealth position with neutral data base and comparable performance measurement improves the transparency of the performance numbers of different investment managers

Standardized data structure enables any consolidation of individual holdings and family groups according to economic point of views (i.e. pools, trusts, individuals, company etc.)



# Reporting and Controlling

With regard to Controlling the following aspects are analysed in depth:



- Overall wealth structure
- Conditions of investment managers
- Fee comparisons
- Transaction controls
- Portfolio turnover
- Investment guidelines
- Accumulating risks in one asset class of stock across different managers



- Performance before and after taxes
- Performance comparisons
- Change of structures in mutual funds
- Cashflow-planning - income
- Cashflow-planning – expenses
- Adjustment of analysis-matrix for individual asset classes is possible



Coherent controlling and reporting are essential for the regular analysis of the investment strategy



# Reporting and Controlling

DDA Advisory GmbH does not provide tax reportings – a preparation of data will be delivered to the tax consultants of the clients



## Clear Description

- Income from investments
- Other income sources
- Foreign income
- Rental income



## Preparation of Data for Official Tax Statements

- All relevant data for tax statements
- Consolidation across all investment holdings
- Consideration of individual tax situation



## Support in case of Special Tax Audits by the Tax Authorities

- Support in preparation of tax income statement
- Scanning of all original documents
- Tax audits in the premises of Bernhardt Advisory GmbH

## Completeness

- Delivery of income statements and tax documents
- Detailed explanation of tax judgement on special circumstances
- Guarantee of completeness through double-entry bookkeeping even in case of incomplete or false documents from investment managers

## Control

- Reconciliation of all tax certificates and income statements with transfer calculations
- Four-Eye-Principle through external control

## Documentation

- Individual certificate for each collected sum
- Comprehensive documentation through account journals and other position lists

# Reporting and Controlling

DDA Advisory GmbH does not provide tax reportings –  
a preparation of data will be delivered to the tax  
consultants of the clients



## Qualification

- DDA Advisory GmbH unifies tax expertise with comprehensive knowledge about the capital markets
- Experienced long-term employees with varying realms of expertise
- Ongoing internal and external schooling



## Data Collection

- Tax report for all asset classes on the basis of double-entry bookkeeping
- Correct tax consideration and booking throughout running calendar
- For private and commercial clients as well as trusts



## External Control

- Development of tax reports under active participation of external tax advisers
- Four-Eye-Principle
- Supervision of tax reports through external auditors

# Contact Us

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