

Is GenSpring Too Big?

Over the last 10 years, GenSpring has emerged as the market leader among family offices and a leading alternative to traditional wealth management firms. Recently, smaller family offices and some (now smaller) traditional wealth management firms have competitively claimed that we have grown too big to truly serve the unique needs of wealthy families. Before responding, it is worth mentioning that we have, until now, been labeled “too small” so in some ways relish the question...

A simple “no” answer probably would not suffice if you indeed are asking yourself this question and we are pretty sure you would not really expect us to answer “yes”. The short and most accurate answer is that GenSpring is both big AND small. Too big or too small is a matter of opinion best left up to our clients. Frankly, the better question is: “Is GenSpring right for you?”. This question is, of course, up to you to answer. But what we can say with certainty is that GenSpring is what our founding families thought was missing among existing wealth management providers back in 1989. It was and continues to be what is right for them, and has since turned out to be the choice of many other wealthy individuals and families.

Is GenSpring right for you?

To answer this question, it might be helpful to understand the motivations for creating GenSpring. Our founder and founding families were driven in no small part to create GenSpring by their intense dissatisfaction with traditional wealth management providers: private banks, financial

services firms, trust companies, etc. Though great advisors existed within those institutions, the institutions themselves had grown into a hub for the distribution of financial and investment products sold under the guise of advice. When you talk to these advisors, some of whom we’ve hired, they consistently describe situations of having had to protect their clients from their prior institution’s insatiable appetite for selling. Although we believe a profit motivation can be beneficial, these institutions used their size and market power for their own self-interest – to gain access to investment managers or build products that they could sell to their clients or otherwise generate more income per client, such as through trading or the sale of derivatives. In these situations, the institutions benefitted from their growth, not their clients. Conversely, GenSpring does not earn any incremental revenue as a result of the advice we give or the solutions we utilize. GenSpring’s growth translates into more choices, market power and resources for our client families because we use our size only for their benefit. Our shareholder’s certainly benefit if more people choose to become clients of GenSpring, but only if they stay.

Our founder and founding families were also driven to start GenSpring by an understanding that their wealth imposed complexities on their lives, which required broad, experienced and sophisticated advice fully informed by the seemingly infinite details of their wealth and unencumbered by conflicts of interest. Historically, the wealthiest of families solved for these complexities

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by creating their own family office: hiring experienced professionals to work exclusively for them, paid only by them. However, our founders were concerned about the limitations of having their wealth managed by such a small firm: dependence on a limited number of people, difficulty attracting and retaining the best talent, lacking access and buying power with investment managers and other financial services providers, being unable to afford the breadth and depth of expertise needed, limited controls and safeguards, and isolation from the best practices of other families. In short, they wanted the experience, familiarity and service of a small family office and the resources, market power and sustainability of a large wealth management firm: to have their cake and eat it too.

Big and small...by design

By imposing limits on the size of our family offices, GenSpring has remained small. In fact, most of our family offices are the same size as (or smaller) than our first multi-family office and none are significantly larger. Our growth has been in the number of our family offices, not in the size of our family offices. Our long track record of maintaining local family offices proves our intent to stay small; focused on our clients and their families, versed in

their specific needs and situations, and proactive in our advice and service. Each of our clients still works with a small GenSpring family office, typically with between 10-14 professionals, which they often refer to as “their” family office (Figure 1).

GenSpring was also built to be big. Unlike most multi-family offices, GenSpring did not evolve from a single family office. Instead, we were founded as a multi-family office. Culturally, the difference is profound. From the beginning, GenSpring looked to harness the know-how and buying power of each client for the collective good of all families. As more clients joined, GenSpring was able to hire and retain deeper talent, invest in advanced systems, and share the best practices of one family with others. Whenever GenSpring was able to negotiate better fees or expenses with an investment manager, all of the benefit was passed back to clients: GenSpring did not keep a dime (and still doesn’t). As time passed, GenSpring built a Resource Center (Figure 2) to house its centralized activities: advisory centers for planning, investment and fiduciary experts, a learning center, and operations and technology groups. We have a track record of investing in more resources and capabilities for our clients thereby enabling our family offices with world class resources unavailable to family offices who “go-it-alone”.

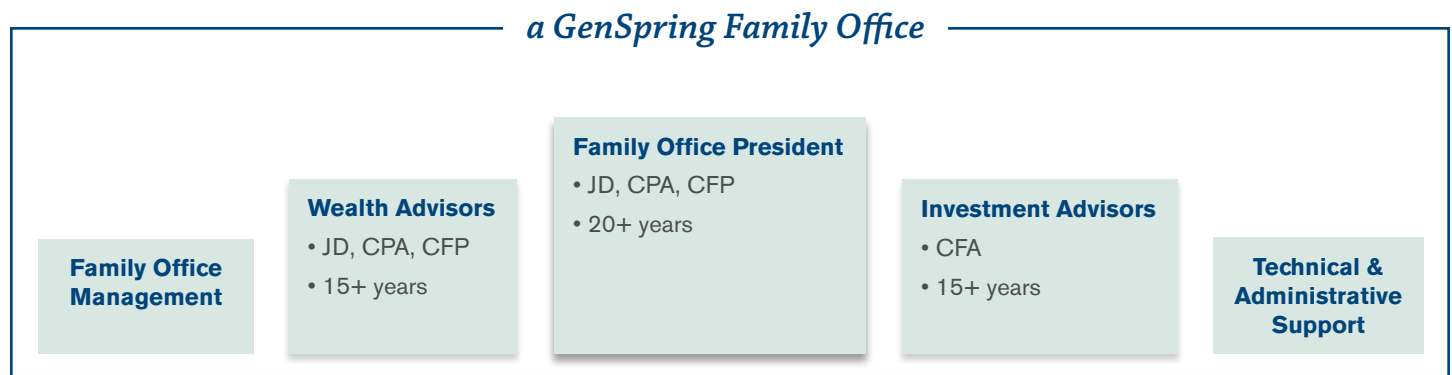


Figure 1 – Professionals typically within a GenSpring family office

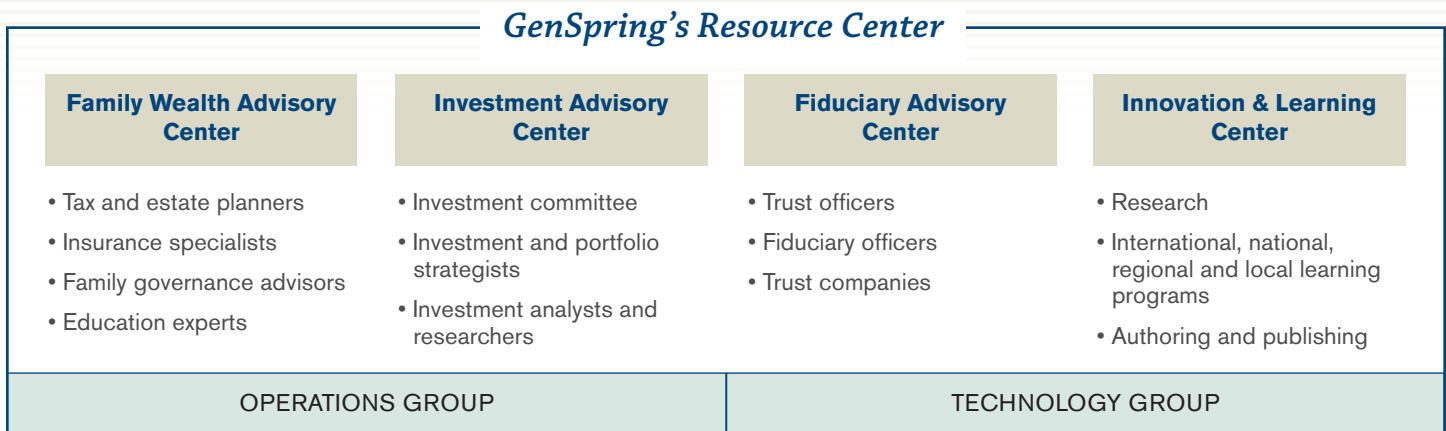


Figure 2 – Illustration of GenSpring's Resource Center

In one family office such resources would be too expensive and greatly distract from serving family members. Within GenSpring, these “shared” resources are distinct from our family offices and work with clients across our family offices whenever and wherever they are needed. They also monitor developments in their respective fields of expertise to identify opportunities and strategies that might benefit our clients and proactively share ideas that have worked for one GenSpring family with other families in our other family offices. In this way, GenSpring families benefit from our growth while their individual family office stays small.

A natural and beneficial tension

Over the years, we have come to appreciate and encourage the natural tension between being big and being small. Within GenSpring, we experience a continual tension between the “field” (family offices) and the “center” (Resource Center). Far from battles of ego, these are intellectual tensions between professionals who share deeply-rooted values (Figure 3); inevitably, such debates involve differences of opinion over what is best for a particular client. Not surprisingly, the collaborative solutions that emerge are far better than what any one person had envisioned. This intellectual tension, free

of any conflicts of interest that in traditional wealth management firms would tilt the discussion toward the view most favorable (and profitable) for the firm, ensures that our clients realize all of the benefits of GenSpring – big and small.

GenSpring Employees' Core Values*

ethics & accountability
we abhor conflicts of interest and will never advise our clients with self-interest

adherence to beliefs
to be successful, wealth management must involve more than just managing money

critical evaluation
we neither think we know everything nor believe that what we did today is good enough for tomorrow

responsibility
we take responsibility for the future success of our clients and their families

fun
however you define it, we think that your wealth has to make you happy – it works for you and not the other way around

*Documented through company-wide values survey June 2007 and updated quarterly.

Figure 3 – GenSpring Employees' Core Values

Our goal of market leadership

We believe that we are building a very different kind of wealth management firm: a firm that harnesses the best of big and small and whose interests are transparent and aligned with those of our clients. We believe that our continued growth and stated goal of market leadership are in the best interests of our clients. Frankly, our family offices today look much like our first: small, boutique offices for our families and their GenSpring advisors. But, unlike 10 years ago, today our clients benefit from more than twenty times the buying power, resources and

know-how. And so we believe that GenSpring is a very special formula of big and small, with a culture that consistently balances the two in the best interests of our clients. We are small where it counts: in our understanding of and service to our clients. And we are big (and getting bigger) where it matters: in placing unprecedented resources, control, power and knowledge squarely on our clients' side of the table, solely for their benefit. With a client retention rate in excess of 97%, we believe that our approach has been validated by those who know best.

Benefits of Small Family Office

- Personal knowledge of family
- Detailed understanding of all assets and planning
- Meetings at home or office
- Coordination of other advisors
- One-on-one education for children
- Stabilizing presence through major life events
- Confidentiality

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Benefits of Big Wealth Management Firm

- Deep and stable talent
- Shared best practices
- Pooled investment vehicles
- Exposure to closed investment managers
- Advanced systems and risk controls
- Special investment mandates
- Access to the world's leading financial institutions

GENSPRINGSM
FAMILY OFFICES

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