

## Investment Management **Who, What, Why and How?**

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After being in business for over a decade, we continue to get questions about where Diversified Trust fits on the spectrum of financial services companies. Are you a bank? Are you a brokerage company? Who is the parent company of Diversified Trust? How are you any different than (fill in the blank)? Do you serve as trustee for traditional trusts, or do you just offer investment management services? These are just a few of the questions folks ask, and we are always delighted to answer them. To provide broader insight, we have prepared the below summary which covers some of the questions we often hear. We hope you find it informative.

### ***What exactly is Diversified Trust?***

Let's get this obvious, but necessary question answered first. DTC is a state-chartered trust company regulated by the Tennessee Department of Financial Institutions. In the technical vernacular, we are a non-depository trust company. That simply means that we are solely focused on investment, trust and wealth management services. Unlike most other financial services providers, we do not offer other services and products like annuities, life insurance, loans, mortgages, credit cards and the like; however we do strive to be objective advocates for our clients as we advise them on the suitability of these financial products.

### ***Why haven't I heard more about Diversified Trust?***

Many organizations in our business are marketing and sales oriented. Other firms elect to be principally focused on serving clients and growing by referrals. Our founders decided we were going to pursue the latter option, and we have never second guessed that decision. As a result, people typically hear about us via word of mouth. While we do support various charitable endeavors, we have never utilized media for the purpose of general advertisements or mass marketing. Further, we do not employ a sales and marketing force to drum up business, nor do we use third party intermediaries to gather assets and propel growth. Instead, when someone inquires about our services, they receive answers from an owner of our company. We recognize that we could likely grow much faster using other marketing means, but our focus is on establishing long-lasting, per-

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# DIVERSIFIED TRUST

COMPREHENSIVE WEALTH MANAGEMENT

sonal client relationships. Accordingly, our business has grown principally from the expansion of existing client relationships and through referrals from satisfied clients and professional advisors.

### ***Who owns Diversified Trust?***

DTC is not affiliated with any other organization. Our company is 100% owned by our fifteen principals and our other employees, and by Bill Spitz, the Vice Chancellor for Investments & Treasurer of Vanderbilt University and co-founder of Diversified Trust. We are convinced that this ownership structure will ensure continuity of service to our clients and will allow decisions to be made based upon what is best long-term. Each of our principals has a meaningful ownership stake in the company and consequently is highly motivated to take care of our clients.

### ***Who are your clients?***

One of the advantages of being a private company is that we can offer a greater assurance of protecting the confidentiality of our clients and their affairs. Our clients consist of multi-generational families, family-owned businesses, high income and/or high net worth individuals, trust beneficiaries, foundations and endowments, and qualified retirement plans. While the substantial majority of our clients reside within a driving distance of one of our three offices, we presently serve 630 client relationships (which usually include multiple accounts within a relationship) located in over 25 states.

### ***Do you have a minimum size for client relationships?***

Yes, we do. We have never sought to be all things to all people. Our entire structure is designed to serve the segment of the wealth management market which should have access to more than retail products and services. We currently have a minimum client relationship level of either \$1 million in liquid assets, or a net worth of at least \$3 million.

### ***How are you different from other organizations in your business?***

The primary impetus for the creation of Diversified Trust over a decade ago was to offer a true alternative to bank trust departments, brokerage firms and single style investment advisors. In doing so, we have devoted ourselves to the service side of our business. Acknowledging that others in our business make this same statement, how are we any different? First and foremost, our clients are serviced by highly experienced individuals who are the owners of our company. Since our inception, we have experienced **zero turnover** in our principals and other officers. Thus, we believe our clients can be confident that they will experience a level of continuity of service rarely found in our industry. Our principals have significant expertise in investment advisory services, trust and estate administration, tax and estate planning, business advisory services, foundation and endowment management, financial planning and other wealth management related services. This group also possesses diverse educational backgrounds with degrees from a number of outstanding institutions throughout the Southeast, the Nation, as well as the U.K. The specifics of our principals' backgrounds are provided on our website at [www.diversifiedtrust.com](http://www.diversifiedtrust.com). We also believe it is important to note that our company's thirteen principals are long-time residents of the communities in which they live and are actively involved in leadership roles for a number of civic, religious and charitable organizations within those communities.

### ***How do you manage money?***

Traditionally, investors are required to hire multiple investment managers, consultants, and other professionals to structure high quality investment and wealth management strategies. This approach can be both costly and inefficient. We combine the services of these parties to deliver integrated solutions to our clients so that they can be assured of receiving high quality, comprehensive wealth management services. Diversified Trust's investment management approach is designed to mirror the structure of the country's largest pools of capital. Rather than managing assets "in-house" with local expertise, these multi-billion dollar investors typically utilize the services of

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investment consultants and multiple asset managers to structure and oversee their assets. Diversified Trust has established its investment platform to duplicate this multi-billion dollar investor model and to provide a similar quality of investment management to investors who cannot otherwise access this level of quality institutional money managers and oversight.

***Do I have to sell all of my existing investments to work with DTC?***

We never summarily recommend the liquidation of existing assets. Often, prospective clients are unhappy with some or all of their current money management relationships, and they direct us to provide a cost effective and tax sensitive transition to a better investment solution. However, this is not always the case. Most of our clients have significant holdings which are perfectly appropriate for long term holding. In some cases it makes sense for us to safekeep these assets in custody and provide consolidated performance reporting and tax reporting. In other cases, it is preferable for such assets to remain where they are and for DTC to be mindful of their purpose in the overall investment strategy for the client. Today, we oversee a significant amount of assets which are not invested in our proprietary fund strategies.

***If I use you, do I still need an attorney and a CPA?***

The short answer is “absolutely, positively yes”. Our purpose is not to take the place of your attorney or CPA, but to assist you in making these professional relationships more valuable, efficient and dynamic relative to your needs. We have a solid history of working with our clients’ professional advisors to coordinate an overall tailored plan.

***Do your trust services include serving as executor for estates and trustee of trusts established under a will?***

Yes. Our trust powers enable us to serve in these fiduciary capacities for our clients, and each year we are privileged to serve in these roles more and more often as both our clients and our company age. We consider it to be a significant responsibility to serve the surviving members of a deceased client’s family and to carry out their expressed wishes. We believe that Diversified Trust offers an excellent alternative to traditional providers of fiduciary services in this important area.

***Do you offer Family Office Services?***

Many of our clients have inquired about our ability to handle non-investment, non-trust related responsibilities for their family affairs. A wise, well-regarded estate attorney once advised us to draw the line when it comes to “walking poodles”, but he encouraged us to augment our services to handle some of the administrative needs of our clients’ affairs. As the breadth and complexity of our client relationships have grown, we have expanded our services in order to provide family office services when a client has this need. The scope of these services varies from one client to the other, but they may include coordination of tax planning, bill paying and budgeting, banking transactions, insurance reviews and oversight, family philanthropy, acquisition or disposition of vacation homes and other real estate holdings, and financial statement compilation. This advisory and administrative role is usually associated with families who possess substantial assets (both liquid and illiquid) and have multiple family members who need assistance with coordination of the family’s affairs.

***How can I be sure my assets are secure?***

Diversified Trust is a state-chartered trust company regulated by the Tennessee Department of Financial Institutions, which conducts annual examinations of the company. KPMG, our independent accountants, conducts annual audits of Diversified Trust and each of our proprietary investment funds. Client assets are required to be segregated from our corporate assets and are held in custody at State Street Bank & Trust Company and Schwab Institutional. Diversified Trust and its custodians maintain substantial fidelity insurance coverage to further protect our clients’ assets. We also maintain strict internal

controls to ensure that client assets are properly secured at all times. Our Principals and other employees currently have over \$90 million of our personal and family assets held side by side with our clients' assets. We believe this helps to demonstrate our personal commitment to safety and security.

### ***How do you determine which of your services are applicable to me?***

There is no "one size fits all" approach. Our role can be justifiably narrow in one instance and comprehensive and broad in another. The client drives this process. There are three primary tiers of services which are available to our clients. First, we serve in an investment management capacity and as trustee for revocable or irrevocable trusts. This tier includes the basic services we have offered to our clients since our inception. Our second tier of services includes all services within the first tier, but also includes investment advisory services for assets (liquid and illiquid) held elsewhere. Clients who maintain investment relationships outside of Diversified Trust often request that we help them with oversight of these various assets and provide periodic consolidated reporting and advice. Our third and most comprehensive level of services includes all of the tier two services, plus comprehensive wealth management services. In short, this level of services involves DTC becoming the equivalent of the client's "personal CFO" and standby advisor on all wealth related matters. Clients who request this level of service typically have limited time, desire and/or expertise to devote to such affairs. They also usually possess significant assets with ownership spread across various entities. In addition to these three tiers of services, at times someone may simply need a one time review of where they are today without any need for ongoing services. We call this one time service "the scrub" because we basically inventory all financial assets and provide a current portfolio analysis, cash flow analysis, advisory review of estate planning documents (i.e., Wills, Powers of Attorney, Trusts, etc.), and address special circumstances pertinent to that client. We also help the client define objectives. The end result is a comprehensive assessment of a client's affairs which they may use for reference as they see fit.

### ***What about your fees?***

First, we do not have any source of revenues other than the fees our clients pay us. We work on a fee-only basis, and do not receive commissions, sales charges or soft dollars. A client's fees are dependent on the services that we provide to them. We have a published fee schedule for our tier one services described above. These fees are determined by two variables: (1) the size of the assets under management, and (2) the mix of investment vehicles selected for the account. Our fees are determined based upon the entire assets within the client relationship. As assets grow due to appreciation or new contributions from existing or new accounts, our fees in percentage terms decline for the entire relationship. We do not publish a fee schedule for services provided in tiers two and three due to the unique nature of each client's needs. Typically, these services are charged at either an hourly rate or a pre-determined fixed fee pursuant to an engagement letter which sets forth the customized services to be rendered. Lastly, our one-time assessment service, called "the scrub", is typically charged in this same fixed fee or hourly manner.

It would be very easy to continue this list of questions and answers, but our primary purpose is to answer the broadest questions and invite you to ask more detailed questions as you wish to do so. We hope the above summary has been useful, and we look forward to providing more information to you as the need arises. Please visit our website which provides greater insight to our organization.

## **DIVERSIFIED TRUST COMPANY**