

KONVIVENT – Assets in Dialogue

Dear clients and other interested parties,

In the following points, I would like to present you with a summary of what is unique about KONVIVENT's asset management and administration. Personal and professional experience in particular, but also moral and ethical principles, are what shape my management philosophy and asset management. KONVIVENT's asset management services are aimed at private individuals and family offices as well as companies and foundations.

1. Risk and return



The client's personal risk assessment forms the basis for the entire asset strategy and for strategic asset allocation. It is important here to assess risk appetite not only in the "good times", but also to critically examine what you are really able to sustain on an emotional level. Unfortunately, rational and emotional risk assessments rarely coincide.

If you see risk as what it is – the volatility of an asset portfolio – then on a rational level a potential loss of 5% can be reliably estimated and seems acceptable to begin with. But at second glance a loss on this scale, when expressed in nominal terms, may represent an excessive emotional strain.

For this reason, return expectations, objective assessment of risk aversion and strategic asset allocation across all relevant asset classes form the basis for the long-term asset strategy. Once this has been established, "all" that remains is tactical implementation and adaptation in line with the respective situation

on the markets and the general economic environment.

2. Sustainability and social responsibility

All of our asset management is based on ecological and sustainability criteria, ethical principles and principles of good corporate governance. Selections are made according to positive and negative criteria. In doing so, we follow the guidelines of the "Forum Nachhaltige Geldanlagen" (Forum for Sustainable Investment). However, it is also important for you to provide input with your own principles, beliefs and moral and religious values. Only then can we create a truly personal asset portfolio that reflects your own values.

3. Simple and comprehensible

These two principles of our asset management are implemented systematically. "Simple" means making direct investments in equities or bonds where possible. If this is not possible due to the volume of assets or due to selected regional markets or sectors, then investments in funds or ETFs that explicitly invest in equities or bonds are selected.



Structured financial instruments – which are often difficult to trace back in terms of their purpose and their investment base and thus generally lack transparency – have no place in our asset management. The same applies to

ETFs that are based on swap structures. For all investments, irrespective of their asset class, the focus is on awareness and making an active decision to know exactly where and how the money is invested.

For example, an investment in equities thus represents a business participation that is entered into on the basis of confidence in the company, its products, its future orientation and its philosophy, and not just in the expectation of making a quick speculative profit.

4. Transparent, fair and secure



Investment consulting at KONVIVENT always takes the form of fee-based investment consulting. Clients can choose between an hourly fee and a fee representing a fixed percentage of the assets under management. The hourly fee is €120 per hour¹ and is billed precisely for every quarter of an hour. The percentage rate for assets under management is currently 1.3%*. The quoted fees do not include statutory value-added tax.

For smaller volumes of assets it is probably best to choose the percentage rate, while for larger volumes of assets the hourly fee may be the better alternative. In my view, sounding this out with you is a sign of fairness. As is the reimbursement of all commissions received, generally portfolio-based commissions, so that the fee and the transaction fees agreed with

¹, * General Terms & Conditions 1/2014

the bank are the only asset management costs.

In addition to the long-term strategic asset allocation determined together with the client, which is binding for the individual investment decisions, the security and capital preservation of the assets entrusted to us are also legally substantiated through the collaboration with the liability cover provider, NFS Netfonds. Our asset management and consulting is legally regulated and standardised as a result of our activities with the liability cover provider and the associated registration with the German Federal Financial Supervisory Authority (BaFin).

5. Objective, controlled and pragmatic

When it comes to investment, people often ask themselves: “What do I need an asset manager or consultant for, if ultimately they are also unable to at least ensure capital preservation in crisis situations?”. In recent years, many private investors have looked back at negative experiences in this respect. But it is not just asset managers and investment consultants who are the “scapegoats” here – many trading platforms and online banks also frequently give the impression that asset management and investment are “the easiest thing in the world”. Only the “human” factor in relation to people’s emotions and subjective assessments is often ignored in this context.



Investors’ courage, risk appetite, greed, overestimation of their own abilities and

euphoria often increase when the equities markets in particular are performing strongly and they have invested themselves. But fear, panic and indecision spread just as quickly when the next crisis is looming and share and bond prices alike are faltering.

And this is where the asset manager's task begins, the task of acting in a way that is free of emotions, objective, pragmatic, disciplined and suited to the situation at hand. This means continually monitoring and adjusting the defined risk allocation and the strategic asset allocation, maintaining a well-balanced diversification of the assets both quantitatively and qualitatively, and recapturing "outliers". However, it also means not increasing the equity allocation further just because the equities markets are performing so well at the moment and everybody who is riding the wave of euphoria says that you should do so.

Objectivity, based on the correlations between different asset classes, anti-cyclical behaviour and corporate and general economic data, forms the basis for the asset manager's investment decisions. This doesn't mean that no losses will ever occur, but a systematic approach like this significantly reduces the volatility of a portfolio and thus the risk and puts the owner of the assets under less emotional strain.

Dear clients and other interested parties,

I hope that the information and explanations provided here have succeeded in giving you an understanding of the philosophy and working methods of KONVIVENT investment consulting and arousing your interest. If this form of asset management fits with your idea of value-based asset management that is sustainable both in terms of returns and capital preservation and with regard to conservation of resources and social justice, I

would be very glad to meet you in person to discuss your opinions in an open exchange of ideas.

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Kathrin Rosemann, KONVIVENT family office customer event

Yours,

Kathrin Rosemann, certified economist

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