



EPISODE TRANSCRIPT

Democratizing Wealth Management: How the Founder of \$6T CAIS Helped Drive Growth in the Alts Space

A conversation with Louis Diamond and Matt Brown, Founder, Chairman, & CEO of CAIS.

Mindy Diamond:

Welcome to the latest episode of our podcast series for financial advisors. Today's episode is Democratizing Wealth Management: How the Founder of \$6T CAIS Helped Drive Growth in the Alts Space. It's a conversation with Matt Brown, the founder, chairman, and CEO of CAIS. I'm Mindy Diamond, and this is the Diamond Podcast for Financial Advisors. This podcast is designed for advisors like you who are interested in learning more about the evolving wealth management industry through candid dialogue with breakaway advisors, those from the C-suite, and industry thought leaders. It's available on our website, diamond-consultants.com, as well as Apple Podcasts and other major podcast platforms. So be sure to subscribe and share it with your colleagues. At Diamond Consultants, our mission is to help advisors live their best business life. We want every elite advisor to find exactly the right place for their business and their clients to thrive, whether it's at a wirehouse, a regional, boutique, or independent firm.

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This is one of those episodes that dives into a real game changer in the wealth management industry. In this case, the story begins with a financial advisor named Matt Brown, who started out at Shearson Lehman Brothers in Smith Barney before he came to realize that there was a gap in the industry when it came to access to alternative investments. Once limited to institutional and ultra-sophisticated investors, these unconventional alternative investments or Alts have become popular vehicles for many advisors looking to serve their clients who want to expand their portfolios. Yet in the early innings, advisors access to Alts was limited, particularly for those in the burgeoning independent space that is until FinTech providers like CAIS entered the scene. Matt founded CAIS in 2009 with a vision of democratizing Alts investing and opening up access to firms of all sizes and levels and its platforms like CAIS that were indeed transformational, leveling the playing field for the independent space by giving these advisors everything they needed to compete with the biggest names in the business.

No doubt, CAIS has realized extraordinary success doubling in network assets from \$3 trillion to \$6 trillion in the last 12 months alone. As Matt shares, its indicative of a changing environment among investors moving beyond the traditional 60/40 portfolio to one that looks more like a 50/30/20 model based on stocks, bonds, and Alts. The great reallocation of capital into alternative strategies, as Matt calls it is well underway within the private wealth channel, and advisors in the independent space are embracing this evolution as an extraordinary growth

Note: This is a transcription of a spoken word dialogue and as such there may be errors and/or omissions.

Page 1 of 21



EPISODE TRANSCRIPT

Democratizing Wealth Management: How the Founder of \$6T CAIS Helped Drive Growth in the Alts Space

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engine and opportunity to provide yet one more path to answer their client's needs. Matt shares his story with my partner, Louis Diamond, offering a glimpse into how his vision became a model for success in the industry and what he sees on the horizon. Plus Matt offers advice for advisors who are looking to add new avenues of growth and those considering change and wondering how best to replicate or improve upon what they currently offer their clients and much more.

Also in this episode, we launch a new segment called Founders Blueprint. It's an idea that was born out of listener comments from more backstories from some of the most successful entrepreneurs in the industry. Our goal is to share each founder's unique why and how, to help spark ideas and eliminate the fear that comes with the unknown. We're gathering each entrepreneur's journey for a special Digest episode at the end of the year, so be sure to listen in to get a quick download from Matt on what it took to get from A to B and beyond. There's a lot to discuss, so let's get to it.

Louis Diamond:

Matt, thank you very much for taking time out of your busy schedule to talk with us today.

Matt Brown:

Oh, my pleasure. Thanks Louis.

Louis Diamond:

Let's jump in. If you can share with us your background and what led you to found CAIS back in 2009.

Matt Brown:

Sure. So I started my career at Shearson Lehman Brothers. I was a bit of an accidental financial advisor. Took a job interview, was on the way to film school and one thing led to another and they offered me a job and I went into the training program at a pretty young age, and that began the journey of really becoming a financial advisor, understanding what it meant to take that role. Then I moved over to the dark side also as the alternative investments world, for many years. And then in 2009 after really having the experience of both as a financial advisor and also being an asset manager in the Alts world, really the idea of creating CAIS really came to me. And I always like to think that we're all just a collection of our experiences and when you have been in the trenches on both sides, opportunities that maybe are less obvious become obvious, and that's really what happened. We had something called the global financial crisis that hit, and that's when really the idea of CAIS really took shape.

Louis Diamond:



EPISODE TRANSCRIPT

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I love what you said that we're all just a collection of our experiences. I feel a very similar way. We talk with a lot of folks who they discuss the vision behind their company or breaking away from a firm and maybe sometimes they regret either not doing something sooner or maybe they had a unfortunate stop along the way, but I'm someone who's grateful for every experience and what you learn and experience in different ways and different timing leads you to where you are today, so love that. I'm curious, to me, every great entrepreneur has a why for founding their companies. It's a classic Simon Sinek quote, but what was your why for founding CAIS? Put it another way, what was the gap you saw in the marketplace that you thought you could fill?

Matt Brown:

I think the why is a really great question, so thanks for asking it. I'm a three time entrepreneur. Hopefully this will be the last time, but you never know. And being an entrepreneur, you're a bit wired to identify problems or gaps and come up with solutions. And what I saw in 2009 was coming again from the experience of a financial advisor and also being on the alt side, that only a handful of wealth management firms really had access to alternative investments in an efficient way. Big firms, often call the wirehouses, they built platforms, they had process, they were able to onboard unique and interesting strategies, and ultimately that gave financial advisors a leg up or a competitive advantage to managing their client's portfolio. So when you look at the highly fragmented independent wealth channel, the RA community or the IBD community, they really just didn't have the same tools in their toolbox.

So there was an unlevel playing field. So really the why or the problem that we were trying to solve was how can we arm all financial advisors because depending on where they sit, shouldn't really make a difference. Their job is to take care of end client capital and really give them the tools they need to have that level playing field. So we thought that if we could come into market with a platform that really gave a financial advisor the tools to evaluate the efficiency to be able to execute the menu of selection of funds, that would then give them really a way to improve client performance and for the first time, really be on par with some of their larger wealth management competitors.

Louis Diamond:

Well said. And it's so interesting that the company is, you started in 2009, because we talk a lot about on the show, the evolution of the industry, especially when it comes to the breakaway advisor segment. And in our view, it was the great financial crisis that was the initial catalyst or the first shoe to drop that led a lot of corner office sophisticated advisors to consider alternatives outside of the major wirehouses. But a major part of that thesis and why we've seen a lot of movement towards the independent space is because of the leveled playing field that's happened with companies like yours making it so that advisors who aren't part of a big institution, had similar access to alternatives that they did when they were at UBS, Merrill,



EPISODE TRANSCRIPT

Democratizing Wealth Management: How the Founder of \$6T CAIS Helped Drive Growth in the Alts Space

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Morgan Stanley, et cetera. I guess first thank you for having this vision and helping pave the way for this major breakaway movement we've seen.

Matt Brown:

Well, it's funny that you mentioned breakaway when we started CAIS, I don't believe that term really existed. And then it became very popular very fast because big advisors were in fact breaking away from large firms, and now it's just a term that we use every day. But you're right, I mean there was disruption that happened, and of course you never know what the future holds. We had no idea that the growth of the independent channel or the RIA would be so big, but we're obviously the beneficiary of that, and we've helped so many firms recruit advisors from the wirehouses and help them through that transition window, especially the larger advisors where alternative investments are just foundational to how they manage client capital.

We got a little lucky with the trend on that, but I will say admittedly that it took a lot longer than we thought. So patience is a virtue. It was a little bit lonely there for I would say five years because in order for an idea to be great, you need to have other people want it too. We knew it was a good idea. We were just a bit early on the ideas, but then again, lessons learned during that window of time always paid off in the end.

Louis Diamond:

Well said. You hit on some of this, but what's the elevator pitch for CAIS? What's the value proposition?

Matt Brown:

There's two today, but for the majority of the company, it was very much the CAIS Technology platform will allow a financial advisor to have superior access to alternative investment strategies built-in frameworks for due diligence and operational efficiency, when you execute a subscription document in alternative investments and then a monitoring capability, and that's all done on one single platform. You have to realize that pre-CAIS advisors were hunting for their own alternatives in the independent channel. They were trying to find ways to do due diligence with limited resources. Technology hadn't really arrived to make that process efficient and there was no monitoring capability.

So being able to centralize all those functions in a scalable format was really the, I guess the elevator pitch. But there's really two elevator pitches because the other one was for the asset manager. Everyone talks about the advisor being our client, and that's true, but we also serve the asset management community and they want to grow their asset management business with new investors and differentiated channels. So we had to look at what their needs were, which is to bring in new investors to their funds in a differentiated channel to diversify their shareholder base. And we also had to meet the needs of the advisor which wanted for the first time true institutional quality access.



EPISODE TRANSCRIPT

Democratizing Wealth Management: How the Founder of \$6T CAIS Helped Drive Growth in the Alts Space

A conversation with Louis Diamond and Matt Brown, Founder, Chairman, & CEO of CAIS.

Louis Diamond:

And this may be a bit of a naive question, but if an advisor isn't using CAIS or one of your competitors, and even let's say pre-CAIS, if I'm an RIA or an independent financial advisor and I want to offer alternative investments, say private equity to my clients, I have to go and form individual relationships with the various asset managers, negotiate fees, figure out the whole subscription process, do my own due diligence. Am I thinking of this correctly? Is this the use case of why someone would think of CAIS?

Matt Brown:

Yeah, absolutely. We met with dozens and dozens of financial advisors in the independent space prior to launching the company, and we just went step-by-step dissecting the entire chain that needed to happen in order for them to be successful in incorporating alternative investments into an end client portfolio. And it's not just a half a dozen issues. There's many challenging aspects of allocating to Alts. It's understanding the strategies all the way to just making sure they're executed efficiently. And we just had to dig in, start somewhere and make it easier. Advisors don't do things they don't understand or they don't feel comfortable with or they can't talk to their clients about. I was one and we would stay away from that category.

But if you can actually create a method and a process by which it's easier for them to approach alternatives and then follow it through with ending up in the end client portfolio, then you can really make change happen. But we still are seeing such small allocation rates compared to large institutions that allocate 40 and 50% of their funds into alternatives. Allocation rates are still down, broadly speaking in kind of that two to 3%. A lot of room to grow there, but it starts with having a platform like CAIS that's identifying all the pain points and solving them.

Louis Diamond:

Thank you for sharing that. Can you give us any metrics around the amount of assets on your platform or the number of firms on your platform just to give our audience a sense of CAIS's immense scale?

Matt Brown:

Sure. One term that we somewhat created internally here that we measure is what we call network assets. And network assets are the amount of capital or client capital that a firm controls. So when you add all that up, it leads to the pool that we can go fishing in, if you want to think of it that way. So up until about 12 months ago, we were at 3 trillion of network assets. So every firm that uses the CAIS platform, that's how much capital they control. In the last 12 months, our network assets have gone to 6 trillion, so 14 years to get to 3 trillion, 12 months to get to 6 trillion, and that represents about 62,000 financial advisors nationwide. In terms of other things that we look at, the number of offerings on the platform have quadrupled in that same



EPISODE TRANSCRIPT

Democratizing Wealth Management: How the Founder of \$6T CAIS Helped Drive Growth in the Alts Space

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period of time. You have a lot of forces right now that have changed from the time that we began the business.

One is advisor demand has grown and it's grown because they now have access, but also they know that they can be more competitive with Alts. So more and more first time advisors are wanting alternatives as a competitive differentiator. And at the same time you have another huge trend, which is the asset manager demand for the wealth clients because it's a new channel that's largely untapped and they want to be able to grow their business with those types of clients. And then lastly, the big mega-trend is of course technology when we started definitely played a role, but the advancements in technology and the way that we've built our technology have really made a huge impact. Technology means lower cost, it means speed, it means efficiency. And when you couple that with a two-sided marketplace, both wanting each other, both having strong demand, that's what really in the last five years has made CAIS grow.

Louis Diamond:

Is there anything you can attribute the twelve-month doubling of the network assets? Is there one or two big clients or there's a big strategy that is paying off now?

Matt Brown:

It's probably the one topic that doesn't often get discussed, but it really rests in the asset manager demand category. Just to give you some stats, three years ago if you were to add up the amount of individuals at the top 10 asset management firms, that's a Blackstone, a Carlisle, and Apollo. The firms that are really focused on wealth management. I think they had fewer than 150 people total focused on wealth management. And that could be everything from the individual that's talking to the advisor, the specialist to back office support. That's the same 10 firms collectively have over 2,500 people today and growing.

Louis Diamond:

Wow.

Matt Brown:

So they're voting with their dollars and what's happening is their approach to being in the market, spending time educating advisors, spending time creating wealth-friendly investment vehicles, a huge point. What is not a wealth-friendly investment vehicle? A ten-year lockup private equity, \$5 million minimum drawdown structure. That's an institutional structure works well there. What is a wealth-friendly structure? Same strategy, but maybe in an open-ended vehicle for accredited investors with lower minimums. By retrofitting their businesses, focusing their attention, time and capital on this space, and also creating products that match the needs of the advisors, it's driven a lot of adoption and demand.

Louis Diamond:



EPISODE TRANSCRIPT

Democratizing Wealth Management: How the Founder of \$6T CAIS Helped Drive Growth in the Alts Space

A conversation with Louis Diamond and Matt Brown, Founder, Chairman, & CEO of CAIS.

It's very interesting. So basically similar to your vision of CAIS, if you take away some of the barriers for folks to access alternatives, then more dollars will flow into the asset class.

Matt Brown:

Absolutely. When we started CAIS, the amount of conversations we had with the asset management community, that somewhat ended in the, but why do I care about this again? There were many, and maybe at the time they were right, they would hop on a plane and go to the Middle East and collect a big check or meet with CalPERS and get a big check. No one really cared that the wealth management community, which is huge in terms of size and dollars, they just didn't care enough to spend the time to really go out and target this highly fragmented market. Now it's the number one agenda item on all these firms mind.

Louis Diamond:

Very interesting. And I know just in my conversations with advisors that we have seen a massive jump in advisors who either alternatives is an important driver for making a change, wanting better access or more bespoke access or who are looking to change firms and looking to find platforms that are equivalent or better so that they can bring over their alternative investment business. And that's been a huge jump just from my own anecdotal experiment. You have the data, I have my own experience, but I've definitely seen that as well.

Matt Brown:

There's been a big shift. We sometimes internally talk about it like we spend a lot of time in the why Alts conversation. Why alternative investments, to the advisor community. That's pretty much gone now and now it's a how Alts conversation. So it's not about the value prop of having alternatives, it's how can they best do it. And that's been a bit of a sea change. And with that, they know they can be more competitive, as you said, they can attract new advisors to their firm if they have access to a platform like CAIS. They can also hunt for bigger clients, more sophisticated clients, all of which want alternative investments in their client portfolios. So when you add up some of those factors, that's really driving the advisor demand side of the equation. We track a lot of things here as a company and one of the things we track are from an existing advisor, when they allocate to an alternative investment fund, is that new capital from an existing client or existing? Most of it's new, so they're now actually deepening wallet share with their existing client base.

Louis Diamond:

A big part of it is if everyone else is offering alternatives and if the trend is growing, if you're an advisor who does not offer alternative investments, unless you have a really good thesis for why you're not doing it, you stand to potentially lose existing clients or at least have clients start allocating to different advisors who can scratch their itch.



EPISODE TRANSCRIPT

Democratizing Wealth Management: How the Founder of \$6T CAIS Helped Drive Growth in the Alts Space

A conversation with Louis Diamond and Matt Brown, Founder, Chairman, & CEO of CAIS.

Matt Brown:

Yeah, I said this our annual summit in October two years ago. I said something somewhat controversial. I said, "If you're a financial advisor and not allocating to alternative investments, there's a chance in the next three to five years that you don't have a business." And I believe that for exactly the reasons that you just said, the tide is turned, advisors are allocating to Alts, and if you're an advisor who has shied away or is not willing to spend the time to think about why they're important for an end client, you can absolutely risk keeping that client. It's becoming table stakes and we see a ton of adoption as a result.

Louis Diamond:

Good news for you. Let me ask you two questions about competitive positioning. Who are your primary competitors and how do you think you differ from them?

Matt Brown:

Competition can be looked at in a variety of ways. We actually don't for the most part, think about someone who looks like CAIS or tries to be like CAIS as a direct competitor. Our market share is far too big. I think competition or what we compete against every day is advisors who are first time users. What we're really doing is working with the advisor community that has never allocated with alternative investments and arming them with what they need to begin their journey. That's the number one battlefield that we're on every single day. You look at other firms that could be competitors like a Schwab or a Fidelity or some of the Tamps as an example. But for the most part we integrate and work with all of them now and it's just, the journey that we've been on and the technology that we've built and the business that we've built for them to try to replicate that would be a pretty tall order.

So to a large degree, we feel like we're a market leader. We are somewhat standing alone. We've tracked about 50 firms over 15 years that have started when we think about 48 are out of business, let's just say it's a lot harder than it looks. Trust me, it's taken a lot longer than we thought, but for the most part it's a pretty wide open field in a very large market to target. So we feel pretty comfortable with where we are and we're just going to get in thinking about the needs of the advisors and the needs of the asset managers innovating and delivering a great user experience.

Louis Diamond:

How about.... I can think of 15 RIAs just off the top of my head who claim that their differentiator is we have bespoke access to alternatives and private investments. When you hear firms talk about that, does that mean that they're probably not CAIS clients? And is that kind of thinking that type of strategy, I guess a competitor to your model or is it intertwined?

Matt Brown:



EPISODE TRANSCRIPT

Democratizing Wealth Management: How the Founder of \$6T CAIS Helped Drive Growth in the Alts Space

A conversation with Louis Diamond and Matt Brown, Founder, Chairman, & CEO of CAIS.

I think it's an interesting comment. We used to hear that a lot more the CAIS technology, I'm going to answer this two different ways, but the CAIS technology has evolved from what we call our marketplace model, which means an advisor logs in and sees funds to a SaaS business where the technology that underpins our marketplace that makes that whole thing work can be applied to any fund no matter where they find it. So let's take two firms firm one has no alternative investments. We talked a lot about that. We know what to do there. We can deliver them our platform. It has a menu of products. They're all pre-due diligence. That menu is growing, it has great workflow tools, it's really turnkey, but let's take firm number two. Firm number two has been allocating to Alts for forever and they have many of their own relationships.

They take pride in seeking out, as you said, those kind of unique diamond in the rough opportunities. Well now all of those funds that are not on the CAIS platform can actually be operationalized onto the CAIS platform just for them. So the two sides of our platform are SaaS solution for those who have their own ideas. And the other side are marketplace for those who want to seek out ideas can either be joined together or kept separately. So back to your question, which is the 15 RIAs that believe that they're finding of funds and unique ideas, they're as important to us as clients as anyone else, and we support them in their efforts.

The macro, however, on this core question that you're asking is that product selection and access is becoming commoditized. So that narrative is getting a little less and less each day where their real added value is not so much seeking out that diamond in the rough that I mentioned, but it's how they put it together. And so where they find the fund on the CAIS platform from their best friend's recommendation, that becomes less important. But how they actually assemble a basket of funds and deliver that into a portfolio for a better return, that becomes the competitive differentiation.

Louis Diamond:

That makes a lot of sense. Thank you for clearing that up. So basically it's twofold. It's the technology that makes delivering alternative investments easier and more streamlined that can apply to basically anyone who is using your marketplace to access alternatives or has their own stuff that they're finding. And then the other part is the access or the marketplace. So it seems like your solution can really bridge any independent wealth management firm regardless of whether they're big adults already or if they're new to the game.

Matt Brown:

Yeah, that was a big turning point for the company when we realized that, and not to go too in the weeds on kind of terminology, but the technology that powers our marketplace has a pre-trade experience. Think of it as if you're on Amazon, you're shopping for a product, you're learning about the product, you're getting smarter on the product, you're comparing the product to another product. That's everything you want to do before you buy it. We have trade



EPISODE TRANSCRIPT

Democratizing Wealth Management: How the Founder of \$6T CAIS Helped Drive Growth in the Alts Space

A conversation with Louis Diamond and Matt Brown, Founder, Chairman, & CEO of CAIS.

technology once you want to buy it, make it really easy and simple. And then there's post-trade technology, which is, okay, I've bought it now I have to monitor it. I have capital calls, I have reporting, I have data that I have to integrate with other systems. So the technology of the pre-trade and post-trade that used to power our marketplace now has just been dropped into a SaaS platform where effectively it's our marketplace wiped clean and they can add anything they want to onto it and have that same benefit.

Louis Diamond:

Very interesting. And while we're on the topic of the different business lines, I know in I think it was late June or maybe even early July of 2024, there was a series of articles about CAIS dramatically lowering the cost of the platform to encourage more folks to utilize it, but also to bring Alts in a much more cost-friendly manner to clients. Can you talk a bit about the pricing of the platform and certainly about that decision to radically rethink your own pricing strategy?

Matt Brown:

Sure. Luis, it's a very important topic. I'll just give a brief background. We've been engaging in a conversation around the total cost of alternative investments with advisors, with asset managers, with custodians, with reporting platforms, and many other firms that are in the chain of an end client's ultimate performance. The assumption being that everyone in the chain is charging something and we believe just at a very high level, that costs need to come down over time in order to truly democratize access to alternative investments.

When you start to add them all up, the impact on the return that the client gets is pretty significant. We can't at CAIS directly influence any other member in the chain, but we certainly can look at our own business and know where we can make an impact. We have a small part of our business which is not meaningful in terms of overall revenue that we build what we call a custom fund or a feeder fund for a wealth management firm that may want to build a proprietary product. One of those 15 RIAs that you just mentioned, they find five funds, they want it bundled into a single structure and that structure needs to be managed.

We will build that structure for them and we will manage that structure for them. That's a valuable utility for the wealth industry. When we looked at the cost of being able to do that versus others out there that do that, and we saw the impact that our technology was making on driving costs lower, we had to ask ourselves, why are we still keeping the price where it is? We should actually lead by example on this total cost conversation and see if we can lower at least in this area, price. And when we started to really look at what our core cost is, we were able to realize that we could probably drop by 75%.

Louis Diamond:

Wow.



EPISODE TRANSCRIPT

Democratizing Wealth Management: How the Founder of \$6T CAIS Helped Drive Growth in the Alts Space

A conversation with Louis Diamond and Matt Brown, Founder, Chairman, & CEO of CAIS.

Matt Brown:

And we could also influence the other third parties that are part of that custom fund, a utility such as custodians, administrators, auditors that make that utility important. We could use our scale and size to negotiate those fees that they, charge lower. So we've been able to drop the total cost of alternatives when a wealth management firm wants to create a custom fund or feeder by 70, 80%, and that directly impacts to the benefit of the end client.

Louis Diamond:

That's incredible.

Matt Brown:

You're going to see more of that soon and we hope others look at their own business and follow us because we think that this is a moment where if the big win for everyone and meaning the big win for the end client is to have a diversified portfolio no longer the 60/40, but the 50/30/20. 20 being Alts, we have to start having the cost conversation. I will tell you that we spoke to all the firms in the ecosystem on this topic. Everyone is 100% in agreement that cost needed to come down. The only thing they don't agree with yet is who's going to lower it. So we're going to work with all of them and see if we can find a better way forward for the industry. Part of our mission is not just to democratize but to democratize the right way and we think the cost conversation needs to be had.

Louis Diamond:

Yeah, that is always one of the knocks or the resistance points to alternative investments is that they're expensive. They're never going to be as cheap as an ETF, I would assume, but if you could drastically lower it so that it's more approachable for clients and certainly advisors who are fee-conscious on behalf of their clients, that's a major benefit to the industry. And I love that you're trying to lead by example here. Obviously you make less money, hurts your profitability, but I like the thinking of if we can expand the market, expand the overall pie and still make a profit, that's better than making more money on a smaller pool of assets.

Matt Brown:

And also it's more aligned with our vision. Setting up a utility vehicle in and of itself really shouldn't be an activity for profit where you really want to be at least as a platform like CAIS that's very technology forward is we want to power holistically a wealth management firm's alternative investment experience. And for that our revenue is right-sized. We just are identifying that one spot where it just seemed a little bit misaligned with our mission and we needed to take the first step. I'm sure others who do that, were not happy with that step that we took, especially if that's a bigger part of their business. But that is think at least an important first step for to change an industry.



EPISODE TRANSCRIPT

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Louis Diamond:

Well done. I am excited about this next set of questions here because you're our inaugural guest on a new segment called Founders Blueprint, which highlights an entrepreneur's journey and as a CEO and founder, really excited to dig in and download with you about what it took to get from A to B and beyond. So let's jump into these, I think pretty interesting set of questions here. So the first question in the segment is, was your primary motivation in starting CAIS financially driven or purpose-driven?

Matt Brown:

It was definitely purpose-driven, but having investors and not being a nonprofit, we definitely had goals of being financially successful, but you're never going to get the passion that's required to stay in the game for long periods of time or as I say, the grit to really be willing to go through the dark periods as an entrepreneur unless you have the passion for the purpose. So we knew we could change an industry and we knew we could be innovators. We knew that if we did and were successful it would be very rewarding. But it really does start with the mission and the purpose.

A lot of companies I think that we've witnessed that have done a bit what we've done maybe lacked that and maybe that's why they're not necessarily here. They didn't start with, Hey, we want to see if we can actually level the playing field, help advisors always be on the right side of the fiduciary conversation, always think about their end client's best interests. So we definitely led with that. That served us well. It gained us the loyalty of the independent wealth community and now 15 years later, fortunately we are in a spot where the financial rewards are here and we're going to keep going, but never lose sight of the purpose or mission.

Louis Diamond:

I love when you were talking about lowering the fees on one of your products. You used the word mission very clearly that you realize you look back to your mission and that's what drove your decision. I think that's really powerful. Let me go to the next question. So if you can go back one year before you launched CAIS and one day before you launched the company, what would you tell yourself back in 2008 and 2009?

Matt Brown:

So going back the day before I started CAIS, and despite the fact that I had started companies before, I don't think anything would prepare me for this journey. This has been an extended journey of figuring out at different points along the way, what needed to be done, how to stay in business, how to get access to capital. So I would say that the advice would be prepare for the long run that you're in this for the long run and this is not going to be a short term kind of win. I had no idea that it's going to be this long. But again, as I said earlier, you can have the greatest idea in the world, but if no one else wants it's not a great idea. So I would very much give any



EPISODE TRANSCRIPT

Democratizing Wealth Management: How the Founder of \$6T CAIS Helped Drive Growth in the Alts Space

A conversation with Louis Diamond and Matt Brown, Founder, Chairman, & CEO of CAIS.

entrepreneur the advice that you got to be willing day one to be in it for the long haul and demonstrate the grit that only perseverance over long periods of time can give you.

Louis Diamond:

And what were some of the biggest challenges you faced in the early days of the company and how did you overcome them?

Matt Brown:

It's across the board. I don't know if they're unique to CAIS, but when you're a startup just trying to find talent to join you, obviously you're a pre-revenue company in many cases or you're a brand new company, you don't have a track record of success, you don't have clients. It's all the things that certain types of folks are not willing to join, but you want those skills on your team. One big category was of course, making sure that you could tell a big enough story that people would be willing to take a risk but you could prove that this was the right solution and attract talent. So attracting the right talent. We were fortunate in that category. Most of my partners have been here since the beginning and been willing to stick it out and be creative along the way. So I would say that was one of the biggest challenges.

Getting your first clients, like every technology business you are somewhat in the early days promising what can come as opposed to what you have and delivering in an honest way. We're here today, we're going here tomorrow. And building the trust and the relationship that they know you're not making that up, that you're actually going to truly make that happen. We were very fortunate to get a few key clients early and the rest is history. But I got to say, unless you're unbelievably passionate about what you're doing, unless you have that purpose-driven mind frame and you have a great team of people and access to capital, you're going to be in a tough spot.

Louis Diamond:

And how did you initially attract your first clients and since then, is there a strategy that has been most effective for growing the client base?

Matt Brown:

Early on it was hard. It was just plain hard on the wealth side. Some of it was because they didn't see the need for what we were doing. Some of it was because they didn't allocate to alternatives. Some of it was because they wanted to do it in-house. Technology wasn't a big enough differentiator from what maybe they were currently dealing with. So you had to really hone your skills as presenting a future where you could help them in a major way versus today when you can demonstrate all those things and you have a track record of delivering and you're always showing that you can innovate and solve problems and you can prove multiple case



EPISODE TRANSCRIPT

Democratizing Wealth Management: How the Founder of \$6T CAIS Helped Drive Growth in the Alts Space

A conversation with Louis Diamond and Matt Brown, Founder, Chairman, & CEO of CAIS.

studies of when that happened and why, it just becomes a lot easier. And then you overlay that with a market that actually wants the product, it just becomes a lot easier.

Louis Diamond:

And how about, so with any business, the first client, first clients are really hard. Obviously you get to a point where it's never easy, but where growth starts picking up, you have a product that people want, you have a track record, et cetera. Once you got to that point, can you pinpoint a strategy for growing the business that has been really impactful?

Matt Brown:

Yeah. The key change is when the technology of CAIS really started making an impact and that we realized that we shouldn't only be talking to firms who want access to alternatives, but really firms that are looking for a holistic technology platform to optimize their business that wouldn't just do one thing. So when we built our SaaS business to be able to give the technology to everyone regardless of where they were on the usage of alternative investment spectrum, that really has opened up on so many levels, doors that we thought were going to be closed for a lot longer. That was huge.

I think the support that we gave to the asset management community and the years of education on here's the opportunity in this market, here's what you need to do to compete in the market. Here's how you should design a team and a product. Here's the type of investment it will take, has really paid off. We spent a lot of time actually working with the asset management community, getting them ready to go into market in the wealth community. So really working with both sides. Then of course on the advisor side, constantly demonstrating that benefit list that we went through. New clients deep in wallet share, more competitive, able to attract better advisors. So it was a lot of ground level education on all sides while delivering on the technology promise.

Louis Diamond:

Well said. And along the way, can you point to a mentor who has significantly influenced your success or maybe a book you read, just something or someone that has really helped shape who you are and who CAIS is?

Matt Brown:

I would start by looking inward first to answer that question. I think that many people who have built businesses do have mentors, and of course I do, and I've watched the careers of many great men and women. But the experience at CAIS that I've had with of course being the entrepreneur behind the idea, there's a lot of gratification in that. But really what happened was that my great partners came in, took an idea that I led with, made it their own and then took it to a place that I couldn't even imagine. And when you have that magic happen where you have



EPISODE TRANSCRIPT

Democratizing Wealth Management: How the Founder of \$6T CAIS Helped Drive Growth in the Alts Space

A conversation with Louis Diamond and Matt Brown, Founder, Chairman, & CEO of CAIS.

such passionate co-founders that are willing to really put their arms around an idea and make it their own and then be willing to invest and innovate around it, my hat's off to my partners. They teach me something every day. They're constantly coming in my office and saying, have we thought about this? Have we thought about that? It's truly that team that has made the company alive and where it is today, but also kept me thinking all the time and really has been a huge support.

Louis Diamond:

Thank you for sharing that. I like that answer. Very refreshing. Let's change gears here. I know CAIS does extensive thought leadership on a lot of different topics and a lot of really helpful data, but I saw one of your recent reports mentioned the shift from the traditional 60/40 stock to bond portfolio to the 50/30/20 portfolio, which is stocks to fixed income, to alternative investments. So if this prediction is true or if the data, maybe not even prediction, but the data is proving this out, why is this a significant shift for the industry?

Matt Brown:

Well, it's very significant. The largest institutional investors in the world allocate between 30 to 50% in alternative investments in their portfolios, see the benefit of that, not only is it reducing volatility in the portfolio, it's serving as protection in times when things are not great in the market and also taking advantage of opportunities that the public markets don't offer. The significance of this shift in wealth means that end clients of the advisor will have better performing portfolios. They'll be able to generate and protect their wealth in a way they haven't been able to do before. And let's be honest, wealth creation and wealth preservation, that's how you build a world where you can pay for your children's education, you can retire, you can do many of the things that all of us want to be able to do, and now we're able to deliver a better way forward. So we think this is industry changing and we think being able to do this is to a huge benefit to the investment community that's previously not had access to alternatives.

Louis Diamond:

I would assume too, from a selfish viewpoint, if all of a sudden 20% of portfolios are an alternative investments, that's a very good thing for your business because that means there's a much larger pool of assets being allocated to alternatives.

Matt Brown:

I think it's great for the community of investors. Obviously anyone who's in the business that supports the democratization of alternatives will benefit from it. But really if we go back to the purpose and mission, the ability to change an industry and the ability to bring new products and new opportunities in a way that's never been done before is definitely the driving force behind the company.



EPISODE TRANSCRIPT

Democratizing Wealth Management: How the Founder of \$6T CAIS Helped Drive Growth in the Alts Space

A conversation with Louis Diamond and Matt Brown, Founder, Chairman, & CEO of CAIS.

Louis Diamond:

How have you seen the allocation of client portfolios to alternatives change recently and why do you think this is, we've covered some of this, but I'm curious mostly about why do you think advisors and clients are allocating more to alternative investments?

Matt Brown:

I think part of it is that information now is more readily available to end clients and the reverse inquiry and the pressure for advisors to be able to have answers to why don't we have private equity in our portfolio or why don't we have private credit in our portfolio? And that's coming up a lot more. I think that as the trends from wirehouse advisors moving to the independent channel and being overly familiar with the benefits of Alts continue to increase the need there is also great. There's a lot of underpinnings of this and I'll go back to the asset manager community for a second and say that they've done a tremendous job in focusing on education and leading with education on their strategies overall and not just selling a product or a track record. They're doing a great job in that front and we're going to continue to support that.

Louis Diamond:

And how do you see alternatives impacting advisor growth? You mentioned earlier that you track a lot of things within your company, but one of them were the new dollars that came onto the platform, was it from a reallocation of existing assets or were they the new asset, the firm in your network? So clearly if you're seeing that that growth does happen when advisors all add alternatives, but how do you see this happening and why do you think it is?

Matt Brown:

We always laugh internally when we meet an advisor that says, my clients don't allocate to alternative investments. And we always joke back, they do. They're just not doing it with you. So the trend in the data show that so much capital from existing clients that end up in Alts, when we finally power a firm with a platform like CAIS to have access and a process around alternative investments leads to them deepening wallet share with their end clients. We see it again and again. It's the money that they weren't having under their control, the money that might've been at a Goldman or a JP Morgan or UBS, that now they can actually compete for.

Alternatives help advisors grow in many different ways. Let's just start with portfolio performance. A financial advisor's job is to maximize the returns of their client's portfolios within the risk parameters of the end client and alternatives are doing that, and that is a number one driver. From a competitive standpoint many advisors who believe their clients don't have an interest in Alts, find out that their end clients are actually allocating to Alts, but just away from them. So now the introduction of Alts is allowing them to deepen the wallet share and holistic relationship that they have with their end client. So it's both from a business building standpoint,



EPISODE TRANSCRIPT

Democratizing Wealth Management: How the Founder of \$6T CAIS Helped Drive Growth in the Alts Space

A conversation with Louis Diamond and Matt Brown, Founder, Chairman, & CEO of CAIS.

but also from a maximizing the overall portfolio performance for an end client, which is truly going to be the measure of your advisor.

Louis Diamond:

Interesting to paraphrase, it's the performance benefits of alternatives and if an advisor is growing their business by client assets growing and of course happier clients, that's one lever. The other one is increased wallet share and also I'd say protecting your flank that if you're not offering alternative investments, you risk someone else coming in and being able to offer something that you're not able to.

Matt Brown:

That's right.

Louis Diamond:

And since now, I mean most firms that I speak to and will introduce advisors to, they have access to alternative investments and many are probably CAIS clients and many aren't. So as more and more advisors use alternatives, do you think the differentiator factor goes away because then it becomes table stakes and just like every advisor can offer ETFs or performance reporting tools, do you see alternatives getting to the point where it's no longer a differentiator, it's more of just a must have that every advisor has or will have access to?

Matt Brown:

Well, that's definitely the goal. We would love it to see a day where it's not a question of should we use alternative investments, but it's just a question of how we do it and how we implement it. And that's why from the CAIS perspective, we're focusing on platform features that allow us to really deliver additional value beyond product access. We do think product access is getting commoditized, as I mentioned. So things that we're doing in that category are more educational material, all the things that are really arming the advisor with the tools that they need to even be better at allocating to Alts. We do see a time where an Alts allocation really just is table stakes and we want to make sure that we're willing to go to the next level and say, okay, if you believe that and you're currently allocating to Alts, how can we actually maximize that?

Louis Diamond:

Yep. I think that's a great answer. This question is somewhat related to what you said about access to products becoming commoditized, but I'm really curious to hear your take given your expertise in building CAIS, but we talk with a lot of advisors who are practicing at a major wirehouse or private bank or major financial institution and they claim that they have way more alternative access than they know what to do with, right? There's all these different managers and strategies and it's never a problem that we have too many choices. How do you think this compares to clients that are independent on the CAIS platform? I guess does that dynamic



EPISODE TRANSCRIPT

Democratizing Wealth Management: How the Founder of \$6T CAIS Helped Drive Growth in the Alts Space

A conversation with Louis Diamond and Matt Brown, Founder, Chairman, & CEO of CAIS.

make sense that advisors at the big firms have plenty of access or do you believe that folks in the CAIS platform have more access?

Matt Brown:

It's an interesting question. The CAIS menu we would think is bigger and more robust than any one firm because from the perspective of the asset manager, we represent thousands and thousands of firms and their desire to want to have their strategies made available to more firms allows for that and allows for our menu. At the same time, we have to be thoughtful on not having everything. So menu management is important and the differentiation between the top managers versus each other versus in that second and third tier down from a performance standpoint, we can spend our time at the top of the pyramid.

But again, I do go back to if you really spend time with the asset management community, they're not going on a platform exclusively. And we don't encourage them to do that either. I think some asset managers believe that if they come onto the CAIS platform, we will want them to be exclusive to CAIS, and we actually turned that upside down and said, "No, we want you to help democratize your product into the channel. Wherever you think you can do that, responsibly do it. We obviously want you to be on the CAIS platform too." So with more and more of that is the going forward philosophy for the asset management community. Again, the concept that preferred access or we have unique access does go away and it does lessen. It becomes more about how, more about what you can do with the access, what tools you have to be able to do something differentiated with the access, not about the access itself.

Louis Diamond:

Interesting. So very simply, if you had an advisor who approached you from a Morgan, Merrill, UBS, a firm like that, not to pick anyone, one firm specifically, and they said, "If I use CAIS and I'm running my own RIA, will I have more or less options in alternative investments than I do today at my firm?" Typically, what would be the answer to that?

Matt Brown:

Well, the answer would have to be yes. Not only because of what we have on our marketplace menu, but again, any other fund that they want, they have the ability to put on the CAIS platform. So there is no limit. The only limit would be if they added a fund that was not on our marketplace platform and didn't go through the due diligence process, it would only be made available to them. And as a registered financial advisor, they're obviously signing off that this is good for their client and they're responsible for the due diligence themselves on the SaaS platform.

Louis Diamond:



EPISODE TRANSCRIPT

Democratizing Wealth Management: How the Founder of \$6T CAIS Helped Drive Growth in the Alts Space

A conversation with Louis Diamond and Matt Brown, Founder, Chairman, & CEO of CAIS.

That makes a lot of sense. So say on the marketplace side, there's potentially more access, but what makes it really powerful is an advisor can bring any alternative investment within reason, to the table, which is very different than if you're practicing at a captive firm where you can only recommend options that are already on the platform. So that's really the powerful, the power of the platform is the ability to bring in unique strategies that may be on the platform or may not be.

Matt Brown:

That's correct. We don't believe that CAIS should be the place that you find everything that you want. You're going to find a lot of great strategies, a lot of great asset managers and their products, but we also want to give a pathway and recognition that advisors have their own relationships and their own ideas, and they can be added and have the same benefit of our technology, but those funds will be just for them.

Louis Diamond:

Makes sense. Two more questions and then we'll let you get on with your day. What's an exciting innovation or innovations within alternative investments that you think advisors and their clients will benefit from?

Matt Brown:

I think on the product structuring side, there's been a lot of really interesting new fund vehicles that are allowing more and more investors to gain access to great alternative investment strategies. A lot of the asset managers are really spending a lot of time thinking about evergreen structures. Sometimes they're BDCs or REITs or interval funds that really appeal to the accredited investor. So not the qualified purchaser minimum, but a net worth that's well below that. I think that innovation in of itself, which will continue to happen and grow, it is an industry change that has had a big benefit on opening up new pathways for almost all investors. In the next three to five years in that space is going to be huge. Some of those are actually even available by a ticker symbol, meaning you can buy it like a mutual fund or an ETF.

So there's been a constant push from the community to not just have alternatives only for the super wealthy, but for many investors that previously couldn't qualify based on their net worth, they're also opening up new lanes based on education and background. As the saying goes, just because you're rich, you're not always smart. And I think that is true. So the ability to look at someone's educational background, they may have chosen to work in the nonprofit world their entire life, but have their degree in finance. We have to start looking at the individual and the qualification and not just blanket net worth qualification. So a lot of change in product structuring on qualification, and of course technology is just making everything easier, faster, and less expensive.

Louis Diamond:



EPISODE TRANSCRIPT

Democratizing Wealth Management: How the Founder of \$6T CAIS Helped Drive Growth in the Alts Space

A conversation with Louis Diamond and Matt Brown, Founder, Chairman, & CEO of CAIS.

I mean, all those trends seem to fit directly into your mission, which is to democratize alternative investments for more and more end clients. So if you make it simpler for them, you make it cheaper, and you take down some of the gating factors that prevent a lot of folks from gaining exposure to the asset class, that ultimately it seems like you're very well positioned to take advantage of your initial mission for founding CAIS.

Matt Brown:

That's right, Louis, we always say access for access sake is not great. We've seen a few technology FinTech firms provide different types of access to different types of things and didn't necessarily think through the safeguards of what that meant, but we believe responsible democratization of alternative investments does benefit all investors.

Louis Diamond:

Well said. Any parting words of advice or advisors or folks listening that are curious about how to grow a successful business?

Matt Brown:

Number one, do not listen to your critics. When you're starting something new, it's so much easier for someone to say it won't work than it will work. But when I started CAIS, I think it was 10 to one, and I know who the ones are, that said it was a great idea and if it worked, it could change the game. And the other nine said, "It'll never work." And by the way, mathematically they may be right, but you just have to have the conviction. Don't listen to the critics. There's a good chance if you're successful, they'll all remind you that they were supportive and just go for it and do whatever you can do to stay focused, have a close relationship with capital, have great partners, and keep the conviction on the mission.

Louis Diamond:

Amazing. That was extremely helpful. Great way to end a very informative show. So Matt, thank you very much for joining us today. We don't normally spend a lot of time on investment strategies or even within the investment realm, but I think this episode is very instructive because it shows the way in which access to products, all different types of products and services has been democratized, especially in the independent wealth management business. And if you have conviction to practice in a certain way, you don't necessarily have to let who you're buying products from stand in your way.

I love this episode. It shows the innovation in the space and also just the, I think, really interesting way that you led with purpose in your mission to build a game changing company for the industry. So I really appreciate your time today, Matt, and we'll have to do this again when you're 16, 20 billion and it's the 50/50 portfolio between equities in alternative investments.

Matt Brown:

Note: This is a transcription of a spoken word dialogue and as such there may be errors and/or omissions.

Page 20 of 21



EPISODE TRANSCRIPT

Democratizing Wealth Management: How the Founder of \$6T CAIS Helped Drive Growth in the Alts Space

A conversation with Louis Diamond and Matt Brown, Founder, Chairman, & CEO of CAIS.

I hope I'm around long enough to see that moment. But Louis, thank you so much. This has been great. You guys do a wonderful job of preparing, you clearly knew CAIS and asked amazing questions. So thank you for your time and let me know if I can ever come back and give you chapter two.

Louis Diamond:

You got it.

Mindy Diamond:

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