ASPIRIANT

FREQUENTLY ASKED QUESTIONS BY WHATSAPP TEAM

1. You mentioned a compelling advantage of a firm like yours is lower turnover so we can expect to have the same advisor/manager for many years compared to big banks. Do you have any numbers/third party articles on it?

   Read Response

2. You mentioned that you beat your benchmark on a risk adjusted basis and that you are able to beat passive investing diversified portfolio despite the contrary being what is generally reported. I would love to see your track record and other information you may have to back this claim. Ideally for 15 years+ (I understand there was a merger between 2 firms)

   If it helps maybe it can illustrated with portfolios like:

   - conservative: inflation protection + income
   - more classic growth with mostly equity, i.e. long time horizon

   Read Response

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6. Could you clarify or re-explain what a 1% to 0.2% AUM fee structure buys to your customers? I understand you have a big research team and that is expensive and may be desirable but it doesn't make it a good thing unless the results are significantly better than alternatives (just as an example).

   Read Response

7. In your very helpful example you show how the couple can achieve all their goals with half their money, what did you advice to do with the other half?

   Read Response

Please be sure to review our SEC Form ADV found at

http://aspiriant.com/wp/wp-content/uploads/Form_ADV_Part_2A_Aspiriant.pdf

1. **You mentioned a compelling advantage of a firm like yours is lower turnover so we can expect to have the same advisor/manager for many years compared to big banks. Do you have any numbers/third party articles on it?**

   Remaining a durably independent organization is a core tenet of Aspiriant, and broadly dispersed ownership among the professionals is the key to our successful execution. This will be a game changer in the industry. We currently have 40 owners out of 130 employees (most registered investment advisors are small shops owned entirely by the founders; they often sell to a bank when the founders need to retire or just want to monetize their investment), and it's our explicit strategy to add more, by organic and inorganic growth.

   Ownership and self-governance are the keys for maintaining alignment between the organization's goals and the owners' client-centric behavior. For most of the principals, their ownership stake in Aspiriant is their family's most valuable financial asset. We've never had a principal (owner) leave to go to another competing firm because, by mutual agreement, they would forego reaping the value of their Aspiriant shares if they were to leave, take clients and go into competition with Aspiriant. This is a world apart from the brokerage world in which teams of advisors *routinely* jump from one brokerage firm to another for higher payouts (brokerage firms can afford this since the way they serve clients is so lucrative). Clients are expected to jump with them (and experience significant portfolio turnover as a result) or stick around and experience advisor turnover.

   At Aspiriant, most directors (senior wealth managers) serve around 50 families (the number varies depending on the complexity of the families; in Family Office Services, it might be fewer than 10 families). In contrast, at most brokerage firms, directors would serve around 300 clients. Of course, the nature of the relationships in these two worlds is vastly different, and the richness of the client relationships is a great source of professional satisfaction for our people.

   I've looked in the press about Aspiriant http://aspiriant.com/news-intel/press/ for articles on how unique our ownership model is, but most of the press is on the awards we've received.

   HOME

2. **You mentioned that you beat your benchmark on a risk adjusted basis and that you are able to beat passive investing diversified portfolio despite the contrary being what is generally reported. I would love to see your track record and other information you may have to back this claim. Ideally for 15 years+ (I understand there was a merger between 2 firms)**

   If it helps maybe it can illustrated with portfolios like:

   - **conservative: inflation protection + income**
   - **more classic growth with mostly equity, i.e. long time horizon**

Because Aspiriant was created out of the merger of two independent firms in 2008, we aren't allowed by the compliance rules to share return data that goes back more than 5 years. However, there is still a good bit of useful information to respond to your questions.

We've attached a document which displays the performance of our recommended model portfolios, as well as certain benchmarks, over various time horizons (capped at five years). These returns are as of 7/31/14, and the results reflect the modifications to our asset allocation models we have recommended to our clients over the years, and implemented exclusively with mutual funds and ETFs (i.e., no private investments).

FI 0 (AKA the 0% fixed income strategy). You'll see that FI 0 generated an annualized return of 13.28% versus the benchmark return of the MSCI All Country World Index (ACWI) of 12.10%. Both return numbers are gross of different fees:

- The Mix 0 return is **net** of the fees of the underlying investment vehicles, but **gross** of the management fee charged by Aspiriant. See the chart in your response to your next question for the average Aspiriant fee for portfolios of different sizes.
- The ACWI index is **gross** of the cost of implementing the index strategy. The cost of this would vary depending on how an investor chose to implement, but at the low end, there's an ETF with a 0.33% annual cost.

If you assume that Aspiriant's fee is 0.68% (the average fee on a $10M portfolio) and that the index strategy (iShares MSCI ACWI ETF) cost 0.33%, the after-fee advantage goes to Aspiriant by 0.83%/year, the equivalent of 4.27% over five years. **On that assumed $10M portfolio, that's after-fee outperformance of $427,000 by Aspiriant.**

FI 40 (i.e., 40% fixed income). FI 40 generated a 10.78% annualized return for the five year period, whereas the benchmark blended index of 60% ACWI (iShares MSCI ACWI ETF) and 40% Barclay's Global Aggregate Bond index (SPDR Barclays Aggregate Bond ETF) returned 8.99%.

The index could be implemented with ETFs at a blended cost of 0.23%, making **the after-fee return advantage of Aspiriant 1.24%/year, the equivalent of 6.35% over five years, or $635,000.**

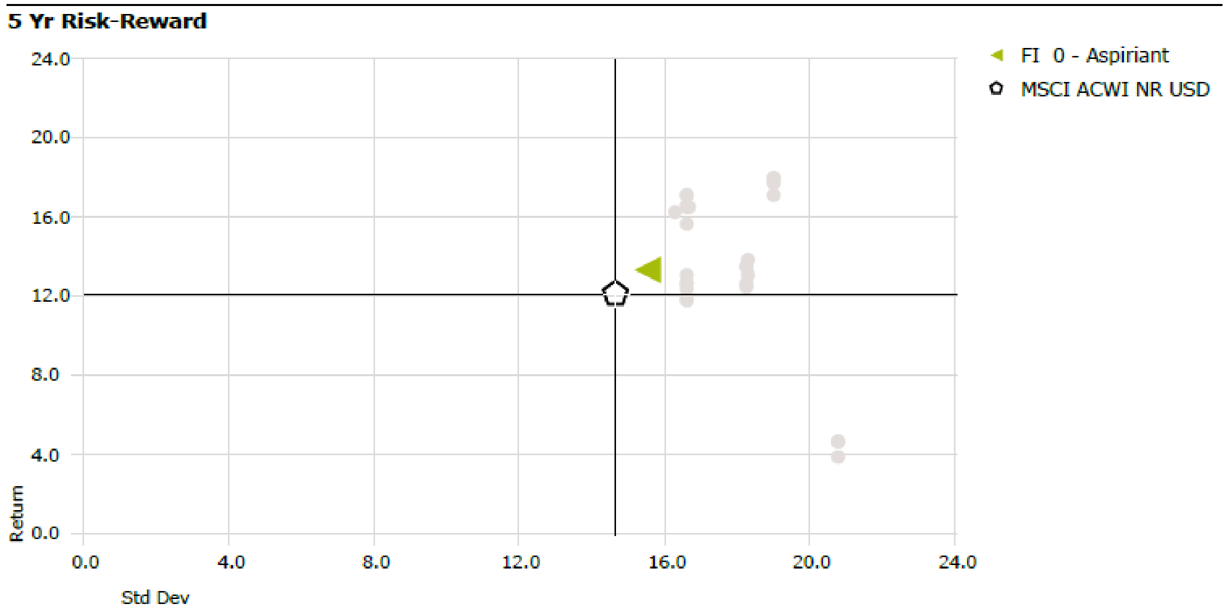
Considering Risk and Return. The previous discussion of returns, and most lay conversations about investments, are restricted to returns. But returns are less than half the story. Most investors hate their losses more than they love their gains, so risk is a critical dimension.

Following are two scattergraphs of these same pairings: FI 0 vs. ACWI, and FI 40 vs. the 60/40 blended index. In a scattergraph, return is graphed on the y axis, and risk, measured by standard deviation, is measured on the x axis. The index is placed at the intersection of the bold lines.

The scattergraph below shows that FI 0 took more risk than the index but also achieved higher returns. Was this an efficient trade-off?

The Sharpe ratio measures the return delivered per unit of risk undertaken. The five year Sharpe ratio for Mix FI 0 was 0.85 versus that of the index, 0.82.

Scattergraph of Mix 0 and ACWI



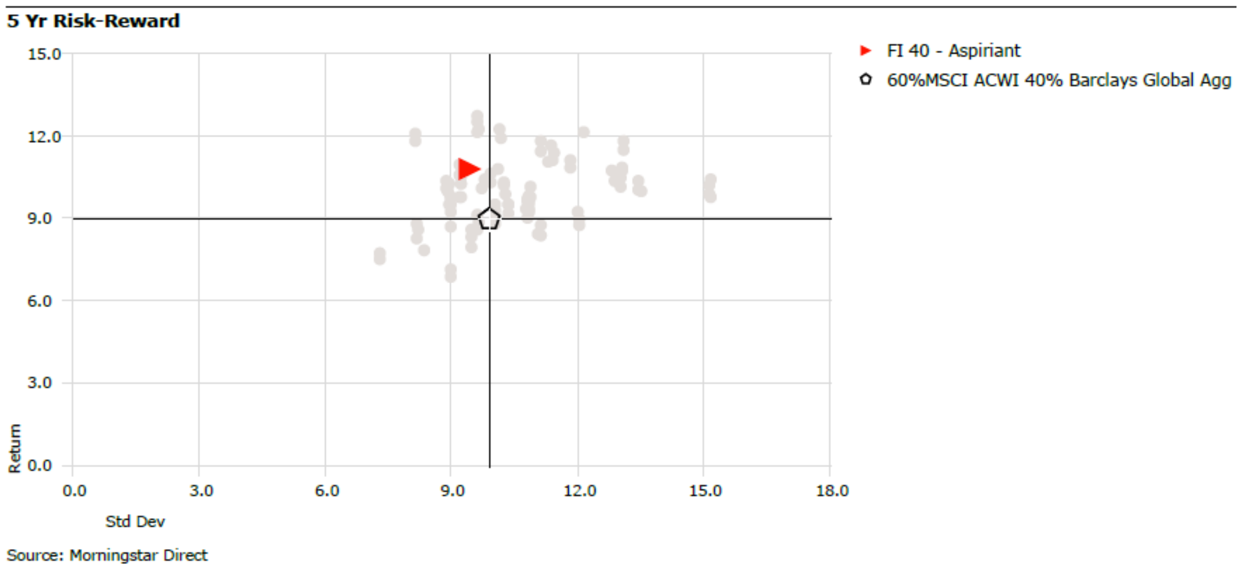
Source: Morningstar Direct

Sharpe Ratio: A ratio that measures risk-adjusted performance. It is calculated by using standard deviation and excess return to determine reward per unit of risk.

Past performance nor hypothetically generated performance is necessarily indicative of future performance. All investments may lose value over time. These returns reflect the deduction of Aspiriant fees but not fund manager fees. These returns do include the reinvestment of dividends and other earnings and assume quarterly rebalancing. Indices are unmanaged and have no fees. An investment may not be made directly in an index. The index returns do not include fee adjustments.

In the case of the balanced portfolios, the scattergraph shows that **Mix FI 40 earned a higher return while taking less risk than the index-based alternative**. This visual presentation is corroborated by the Sharpe ratios of 1.13 for Mix 40 and 0.90 for the index alternative.

Scattergraph of Mix 40 and 60% ACWI/40% Barclay's Aggregate Bond



Conclusion: The Aspiriant portfolio seeking the highest return (Mix FI 0) and the "balanced" portfolio (Mix FI 40) achieved higher after-fee returns than the index alternatives, and took less risk per unit of return than the alternatives.

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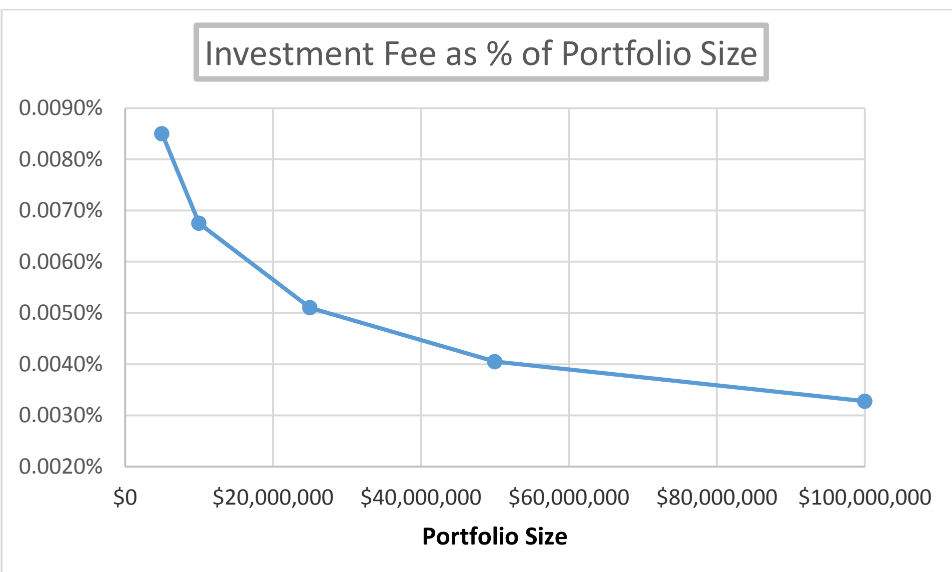
HOME

3. It would also help to get a sense of the AUM fee for ranges like 5M/10M/50M/100M/200M as the returns probably vary with the fee %

Here's our standard fee schedule and a graph showing how the average fee declines as assets under management increases. The graph shows that the average fee approaches 20 basis points (100 basis points = 1%). At the risk of belaboring the obvious, clients with very large accounts sometimes negotiate these fees.

Investment Management Fee Schedule

Marginal rate per annum	Tier	Average rate
0.85%	For the first $5 million assets under management, plus	0.85%
0.50%	$5 million to $10 million, plus	0.68%
0.40%	$10 million up to $25 million, plus	0.51%
0.30%	$25 million up to $50 million, plus	0.41%
0.25%	$50 million up to $100 million, plus	0.33%
0.20%	$100 million and greater	Approaches 0.20%



INVESTMENT PERFORMANCE FEE ILLUSTRATION

Hypothetical Returns	9%	6%
Aspiriant Fee	1.00%	1.00%
Net Return	8.00%	5.00%

Hypothetical Returns	9%	6%
Aspiriant Fee	0.85%	0.85%
Net Return	8.15%	5.15%

Hypothetical Returns	9%	6%
Aspiriant Fee	0.68%	0.68%
Net Return	8.32%	5.32%

Hypothetical Returns	9%	6%
Aspiriant Fee	0.51%	0.51%
Net Return	8.49%	5.49%

HOME

4. To the question regarding the cost of investing with your firm, it was mentioned it provides access to fund only available to institutional investors or funds with high minimum. Could you give some example (ideally with prospectus/track record) of such highly desirable funds?

Aspiriant's scale and independence gives it access to the entire range of institutional investment offerings. Among the firms whose investment products we use in our portfolios but which do not directly serve individual investors are:

- Dimensional Fund Advisors http://www.dimensional.com/ http://en.wikipedia.org/wiki/Dimensional_Fund_Advisors
- AQR (Advanced Quantitative Research) https://www.aqr.com/ http://en.wikipedia.org/wiki/AQR_Capital
- GMO (Grantham Mayo van Otterloo) http://www.gmo.com/America/About/default.htm http://en.wikipedia.org/wiki/Jeremy_Grantham

We also work with firms which offer retail versions of their products to the general public, but provide institutionally priced versions of the same to us. In this category are:

- Nuveen
- Sands Capital
- WHV
- Diamond Hill

We devote significant resources to selecting great investment managers, but manager selection is (perhaps counterintuitively) not as important as the asset allocation decision. Research has shown that > 90% of one's investment return is explained by asset allocation. Aspiriant develops proprietary forward-looking capital market expectations (revised on an as-needed basis) to guide our recommended asset allocations (the model portfolios referenced in the attachment) and to connect our investment insights to each clients comprehensive wealth planning.

We’d be happy to review our capital markets expectations with you, and discuss how we coach a client to select asset allocations that are appropriate based on their personal financial plan.

HOME

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Fees for asset management services are frequently set as a percentage of the assets being managed because this fee structure aligns the interest of the client and the investment manager: the manager is incented to make best efforts to have the portfolio increase, and to minimize decreases.

Investment management fee schedules tend to step down as assets increase because there are scale effects in portfolio management. That is, on the margin, a $100M portfolio doesn't require twice as much work to manage as does a $50M portfolio. For this reason, our investment management fee schedule declines rapidly from 0.85% on the first $5M of assets to 0.20% on asset greater than $100M.

There are at least two reasons, however, why the fee schedule doesn't decline to zero. First, absent incremental revenue on higher asset levels, the alignment of interests between client and manager is weakened and/or disappears at some point. Second, marginal costs do not go to zero. Larger portfolios tend to be more complex (e.g., contain more specialized entities with varying tax attributes), which complicates trading in them and increases the possibility of, and potential magnitude of, trade errors. Insurance against errors is available, but is neither inexpensive nor unlimited, and comes with deductibles. Our exposure from a professional liability perspective (as distinct from a potential for trade errors) also increases as portfolio size increases. Since we are a fiduciary by law, we have an extremely high legal standard to abide by which is further heightened when we have discretionary trading authority. We will always act in the best interest of our clients, but as we are sure you can appreciate, there are inevitably risks that "best interests" are interpreted differently, and disputes can and do occur. We work hard to avoid them of course!

HOME

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Our philosophy about fees can be summarized as follows:

- **Fair and Reasonable** – our fees are competitive for the services we provide and the value we create
- **Conflict Free** – we structure our fees in a way that does not bias our advice toward one solution over another
- **Transparent** – we only get compensated for our services and our fees are fully disclosed
- **Productive** - we structure our fees so as to encourage client communication
- **Institutional** – where appropriate, we aggregate the purchasing power of our clients to help drive product costs down on their behalf

The investment management fee covers all services related to investments, including:

- Ongoing education concerning investment philosophy and strategy, market behavior, and implementation alternatives
- Integration with financial planning conclusions
- Open architecture platform developed by deep, top-tier investment research team
- Dedicated investment operations professional on your service team
- Implementation and ongoing maintenance of asset allocation including asset location, tax loss harvesting, and monthly rebalancing
- Manager selection and monitoring
- Quarterly reporting and analytics (sample available)
- Tax information provided to tax professionals

Ongoing research suggests that our portfolio implementation (asset location) and day-to-day management (rebalancing and tax-loss harvesting) alone more than cover the cost of our fees.

Our goal is to have clients understand intellectually and emotionally what their strategy is and why that strategy is appropriate to help them reach their goals. We are not seeking the highest return or the lowest risk; we are seeking to help our clients reach their highest priority goals.

HOME

7. **In your very helpful example you show how the couple can achieve all their goals with half their money, what did you advice to do with the other half?**

   The happy conclusion that this client had reached after 6 months – that they had about twice the level of liquid resources they need – was discussed with the couple. They find themselves in a new place of affluence, and we and they recognize that their goals are likely to evolve as they grow accustomed to it, and as life happens.

   In the meantime, the condition of being well overfunded allows them an interesting set of investment choices. On the one hand, they can very rationally choose to take very little investment risk – because they can afford to. Or they can equally rationally take more investment risk – because they can afford that, too. As to the latter direction, we'd discuss that they should have in mind something that they really desire to purchase with the additional returns they are seeking, because if there's nothing they want, they're taking additional risks for nothing.

   HOME