



# EXECUTIVE SUMMARY

15<sup>th</sup> APRIL 2020



## **OPENPHINANCE: A unique Hybrid Fintech Business Model**

**A paradigm shift in the wealth management industry: The first Multi-Managers, Multi-Advisors, Multi-Strategies, Multi-Custodians fully regulated digital platform.**

**THE PROBLEM:** The wealth management industry has a dilemma: the old traditional business model based on a network of managers to control tied agents, a really costly solution; or a digital platform to manage the clients' money without any intermediary, a cheaper solution not really suitable for most clients who prefer a human interaction and relationship.

**THE SOLUTION:** DIAMAN's OPENPHINANCE digital platform in combination with an innovative B2B2C business model resolves the dilemma. Technology is used to reduce costs, and the human interaction not only remains but is emphasized.

### **Principal advantages and Unique Value Propositions:**

- 1) The digital platform is much easier for the Advisors. It allows them to deal with just two principal things: client relationships and investment decisions;
- 2) Human interaction between the final clients and the managed account advisors, preventing the typical behavioral finance issues that reduce returns;
- 3) Greater profitability for the financial advisors (+50%) combined with a larger investible universe compared with a typical wealth manager company;
- 4) Offers investors the possibility to choose between different strategies in a fully transparent way (eToro like) and in a fully regulated Omnibus account;
- 5) Enables cross-border customer management for Swiss and UK regulated entities (for example a UK firm can manage an Italian client in a fully compliant manner).

### **WHY is DIAMAN's OPENPHINANCE better than a traditional wealth management firm?**

- 1) Advisors and asset managers are independent (no tied agents with conflicts of interest and high costs of management);
- 2) Management fees for clients are cheaper (on average -25%);
- 3) Advisors' remuneration is greater than tied agents' (on average 50%) and they can gain a part of the performance fee;
- 4) The platform is native paperless and fully digital, with a great reduction of back office and procedural costs.

### **WHY is OPENPHINANCE better than a ROBO Advisory platform?**

- 1) Acquisition of clients is operated principally by advisors and asset managers;
- 2) Acquisition costs are principally on a variable basis in accordance with the success of the advisors and asset managers;
- 3) Prospective and actual clients are able to interact with an advisor or an asset manager, reducing the risk of very costly behavioral mistakes;
- 4) Available financial instruments are: stocks, bonds, funds, ETFs, Certificates and Hedge Funds compared with only ETFs offered by most of the ROBO advisory industry.

**TARGET MARKET:** OPENPHINANCE platform is a B2B2C business model, so the first customers of the company are the following:

Family offices	Fiduciary companies
Small Banks	Asset Managers
Independent Financial Advisors	Appointed Representatives

The principal countries, where DIAMAN Partners will focus, are: UK, Switzerland, Monaco and Italy. The first two countries have the evident problem of cross-boarding activities that can be managed by our digital platform in a fully compliant manner. The Assets Under Management ("AUM") in 2019 related to these countries were 6.9 Trillion Euros.

The goal of the company is to achieve AUM of 0.1% of this amount (almost 7 Billion) in five years.

**FINANCIAL PROJECTIONS:** DIAMAN has proven that the OPENPHINANCE platform is able to generate revenue and attract advisors and clients to manage it. It is operational now. The company objective is

to achieve break-even as soon as possible by investing heavily in commercial operations and brand awareness.

The revenue deriving from this business model considers the company will collect commissions directly from clients and then pay the advisors managing each line. Therefore, direct costs will always be high (all the numbers are in Euros). These projections are considered conservative relative to the initial target market potential which can deliver up to €126 Million in revenue.

	2020	2021	2022	2023
Revenue	3,194,749	6,119,187	14,192,516	28,180,722
Direct Costs	- 1,554,763	- 3,588,941	- 9,442,086	- 19,561,782
Gross Profit	1,639,987	2,530,246	4,750,430	8,618,940
Administration expenses	- 1,669,071	- 2,805,535	- 3,289,528	- 4,106,302
<b>Profit before taxation</b>	<b>- 29,084</b>	<b>- 275,288</b>	<b>1,460,903</b>	<b>4,512,638</b>
Asset Under Management (m€)	196	376	707	1,137

**COMPETITORS:** The wealth management industry has multiple competitors, ranging from massive global banking businesses to very small independent financial advisors. Currently, there are no other documented open platforms similar to DIAMAN's OPENPHINANCE in the investment world.

**TEAM:** DIAMAN is a group of people who are passionate about financial innovation, a passion that materialized in 2002 when the company was established. The company has proven skills and track record in quantitative strategies and risk management.

**Daniele Bernardi (IT):** 21 years of experience in financial markets and entrepreneurship;  
**Francesco Canella (IT):** 15 years of experience in quantitative models and risk management;  
**Keith Farrugia (MT):** 10 years of legal profession in regulation and compliance;  
**Garry Stephen (AU):** 35 years of experience in capital markets and corporate finance;  
**Michele Novelli (IT):** 25 years of experience in start-ups and venture capital;  
**Karol Bednarz (PL):** 12 years in software development.

**CURRENT INVESTMENT & EXIT:** DIAMAN is seeking growth funding of up to €5 Million. It is believed that a self-sustaining business can be created with that level of funding. Faster growth with significantly greater brand awareness, market penetration and competitive positioning can be created with additional funding rounds.

DIAMAN will seek a listing at the right time (3 to 5 years) to create liquidity for investors and continue its growth plan. The sector is in a time of dramatic change and DIAMAN needs to also be alert to M&A opportunities.