

Selma AI:

Can AI Redefine Wealth Advice?

Whitepaper

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Selma AI: Can AI Redefine Wealth Advice?

In an era where technological innovation is revolutionising every sector, the domain of wealth management also stands on the cusp of a transformative shift. Selma Finance, at the forefront of this revolution, proudly introduces Selma AI — a pioneering approach to wealth advisory that leverages the power of generative artificial intelligence. Selma AI takes into account the complexities of personal situations and leverages its very extensive knowledge of finance to give fully personalised advice. We are thereby breaking down the walls that have made high-quality advice inaccessible to all but the very rich. In fact, the power of AI even challenges the quality of most existing private banking services. Maybe the analogy of Deep Blue vs. Kasparov in chess is now happening in Private Banking.

This whitepaper focuses on the potential of Selma AI, from conception to the launch in March 2024 and the development path ahead. Join us as we explore the challenges in traditional wealth advisory, our vision for the future, and the remarkable results and learnings gathered since Selma AI's introduction.

The Challenge in Wealth Advisory

Wealth advisory, by its nature, is a bespoke service, traditionally reserved for individuals and families with assets exceeding 5–10 million Swiss Francs. These privileged few receive a holistic analysis from their private bankers, covering a wide range of areas including:

- The state of their wealth, along with its associated risks and opportunities.
- Their financial situation, including mortgages and other liabilities.
- Pension planning and necessary measures for a secure retirement.
- Insurance coverages, highlighting potential risks.
- Succession planning, ensuring smooth wealth transition to the next generation.

Conducting a meticulous analysis of client needs is an intricate process. It requires not just an understanding of the client's financial standing but also their personal circumstances, aspirations, and fears. This includes pension structures, adherence to national regulations, tax implications, and more. Such an exhaustive task demands highly trained bank advisors, consuming significant time and resources. The hourly advisory costs of such a service is estimated up to 250+ CHF, given only the best-trained and experienced Private Bankers do actually have the relevant knowledge. As a result, these services can only be offered to individuals with a large amount of assets.

Nowadays, clients with smaller fortunes are often sidelined in this traditional model due to high costs in providing the service relative to the revenues generated. These individuals rarely receive personalised advice, instead, they are being offered pre-packaged products that "kind of" fit but fail to fully address unique needs and financial situations.

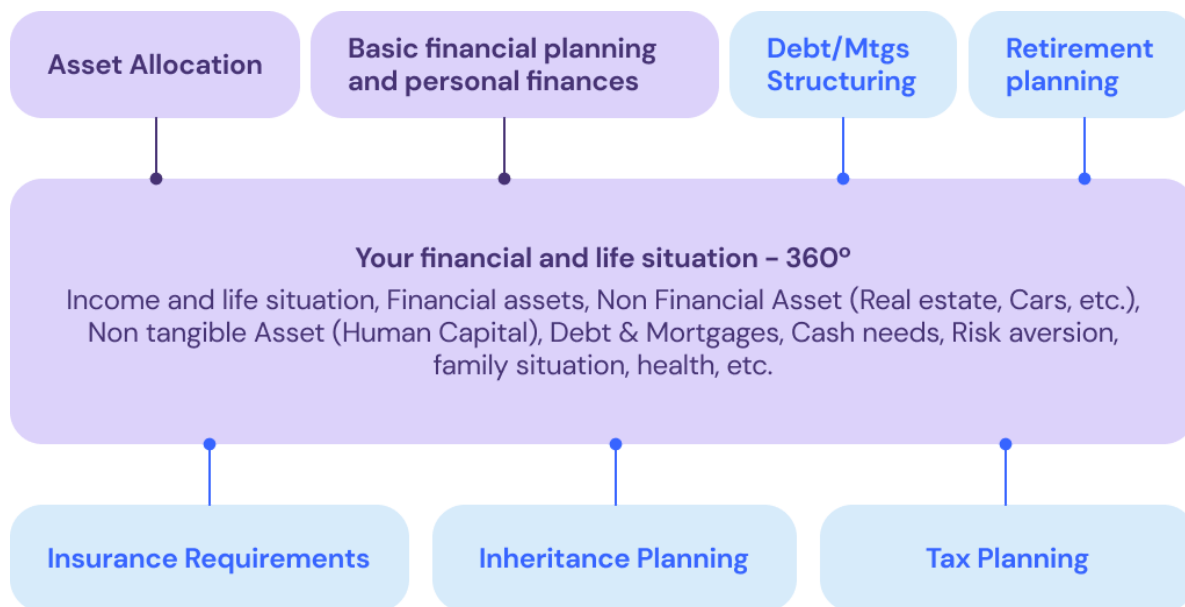
Selma's Vision for Wealth Advisory

Since the start, Selma has been committed to the vision of holistic and personalised "Wealth Advisory for All." Financial well-being is crucial for peace of mind. Our mission is to enhance this by providing stress-free and smart financial guidance that helps you through your financial life so that people can focus on better things than worrying about their financial future. Regardless if you are investing your first salary, buying your first home, or planning how to invest your retirement funds.

The new transformative power of Generative AI turns the traditional model in wealth advisory on its head, making it now possible to offer comprehensive wealth advice to everyone, regardless of the size of their assets. Bringing us a large step closer to our vision.

Our approach centres around three key elements:

1. In-depth understanding of the client, based on their data.
2. Market data, to stay ahead of long-term financial trends.
3. Solution-oriented advice, tailored to individual needs.



Selma AI: Generative AI in Wealth Advice

Based on these 3 key elements, we have rolled out with Selma AI fully personalised asset allocation and personalised financial planning. It is first in wealth management that every client can receive high-quality investment strategy advice and financial planning based on holistic financial insights.

However, for us, these are only the initial steps as we will step by step expand Selma’s AI abilities and provide clients with further advisory services including:

- Debt and Mortgage Restructuring
- Retirement planning
- Insurance Requirements
- Inheritance Planning
- Leveraging Tax insights in financial planning

Why This Is a Game-Changer for Clients and the Industry

Our vision fundamentally changes the landscape of wealth advisory by:

- Making financial advice accessible to everyone, not just the rich
- Improving client understanding, enabling better and more comprehensive advice than traditional models.
- Giving greater control to clients, making the advisory process less intrusive and more client-focused.
- Providing optional personal consultation when needed, complementing the AI-driven advice. Better leveraging the scarce resources of capable wealth advisors, allowing them to focus on relationship-building
- Customising and scaling wealth advice and management, making the service adaptable and extendable to various advisory needs.
- Creating growth potential, allowing for expansion into other advisory domains (e.g. insurance, tax etc.).

All this, while being fully scalable to a large client base at the same time.

How does Selma AI Work

All analyses and recommendations are based on Selma's algorithms. Selma AI uses OpenAI's LLM to deliver a personalised experience. This ensures that the quality of responses, the information given and the recommendations follow our guidelines and are tailored to your individual situation while avoiding AI hallucinations. Selma AI has been designed to provide highly personalised financial insights and analyses based on your holistic financial situation. It analyses the information clients provide via their investor profile or the investments that they hold with Selma.

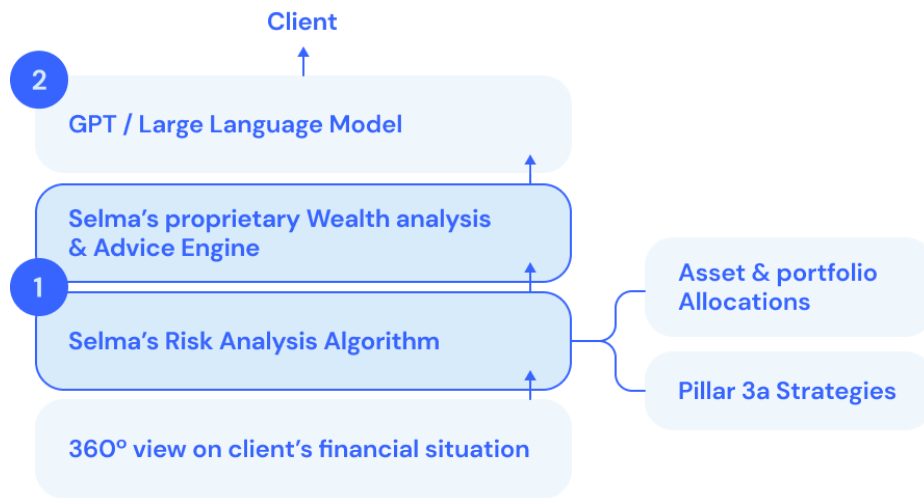


Image: Selma algorithm logic

Selma combines its own proprietary algorithms with the power of AI. First Selma's algorithms:

- Analyse and interpret your holistic financial situation based on a total wealth perspective, including assets, debt, and human capital.
- evaluate the clients' financial risk ability and risk willingness.
- create the investment strategy of a clients' investment account and the recommended pillar 3a pension account strategy.
- define an individual ideal deposit plan to build up wealth over time

In a second step, the trained Generative AI and LLM are connected with the individual financial analysis of a client. This provides the basis for the LLM to base answers on facts and allows Selma AI to answer the clients' questions based on their very specific situation. Selma AI can thus answer questions like:

- How much risk you can take in your current life situation, how much cash buffer you should hold, or how much you can consider to invest
- How to build up your investments in the best possible way over time

- Provide insights into the investment strategies and how they align with your overall financial situation
- Or get tasks to analyse the overall financial situation and recommend improvements.

Built with clients' privacy in mind

Selma AI has been designed with utmost priority given to your privacy while using OpenAI's technology to deliver a personalised experience. To protect your privacy,

- Selma only sends pseudonymised and summarised financial details ensuring OpenAI doesn't know the client's identity.
- Selma limits the amount of information shared to the data relevant and only necessary information.
- Selma maintains a strict contractual agreement with OpenAI that guarantees that OpenAI doesn't use client data (which it cannot attribute to a client) for internal purposes and that all data rights remain with Selma.
- OpenAI does not obtain ownership of client data.

86%

rated as helpful

1,500

advisory hours saved

Equaling to 30 financial advisors working full time for 2 weeks

4,500

chat conversations

3,2 Mio

in additional deposits

375K

CHF saved in costs

With an advisory hour priced at CHF 250.00

34%

made follow-up deposit

Results & First Learnings

Since its launch in March 2024, Selma AI has redefined the wealth advisory landscape for our clients in Switzerland. Here, we present our initial results and the learnings we've garnered, illustrating the transformative impact of Selma AI on wealth management. First and foremost, we are thrilled that Selma AI could help clients better understand their overall financial situation and investment plans, and focus on optimising their individual financial situations. The results below describe the outcomes and actions driven by interactions with Selma AI during the first month from a business perspective.

Client Engagement

- Broad engagement: Over 4,500 chat conversations were recorded during the first month, showcasing significant engagement from our client base and the high demand for personalised financial advice.
- High satisfaction: An impressive 86% of interactions were rated as "helpful" by clients, underscoring the effectiveness and relevance of the advice provided.
- Investment action: Remarkably, 34% of clients made a follow-up deposit after consulting with Selma AI, with 9% making significantly larger deposits than usual. This indicates a high level of trust and actionability in the advice received.
- Primary topics addressed: The predominant focus for client inquiries included "Analysing my financial situation & what to improve" and "Insights into my investment strategy", highlighting the tailored and comprehensive nature of the advice offered.

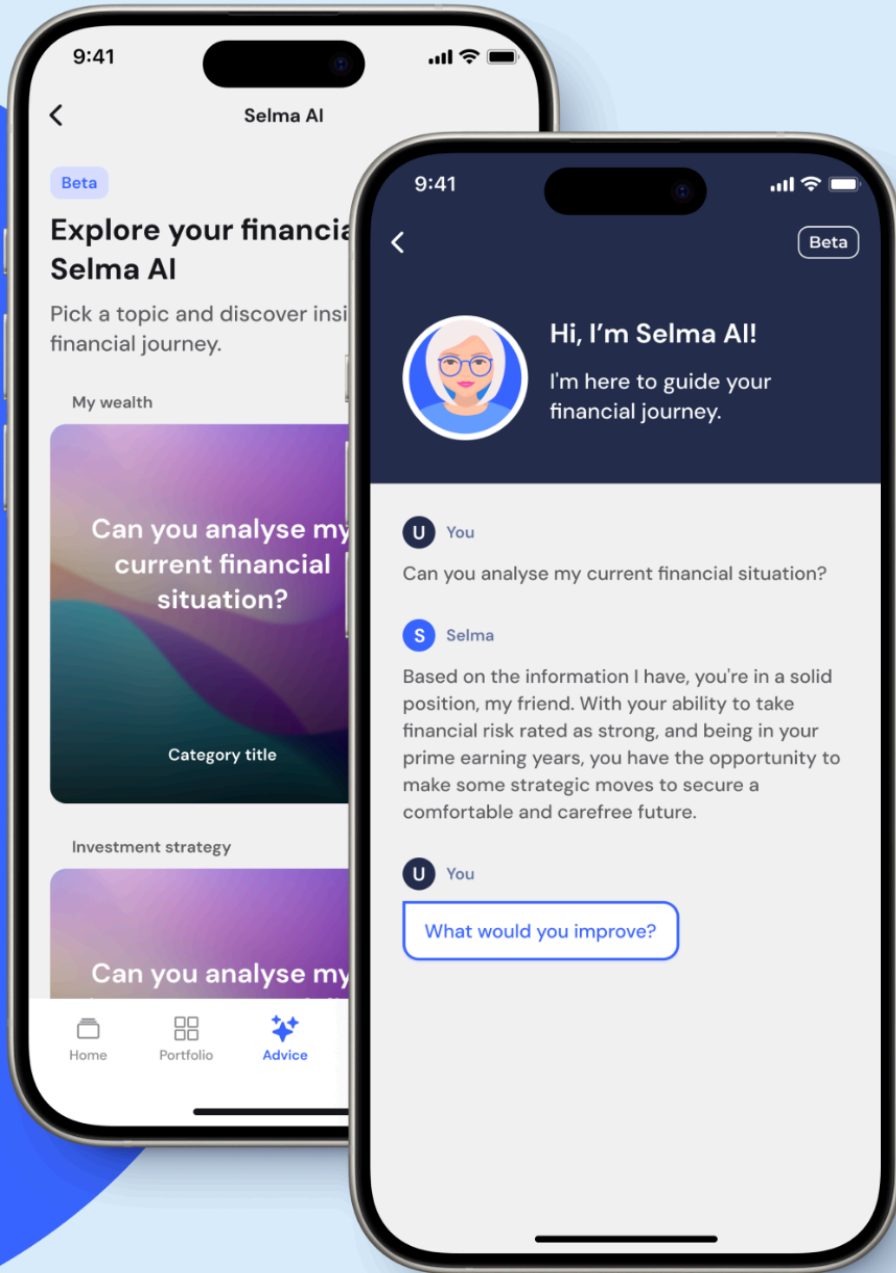
Efficiency and Cost-Savings

- Substantial interaction volume: The over 4,500 conversations held with Selma AI equated to approximately 1,500 advisory hours. We would have needed 30 advisors working full time for 2 weeks to handle the same amount of requests.

- Efficiency boost: To deliver a similar scope of insights and advice manually, we would have required around 15 financial advisors working full-time. Selma AI has significantly streamlined our advisory capabilities that are fully scalable.
- Remarkable cost savings: With an average advisory hour priced at CHF 250 Selma AI facilitated almost CHF 375'000 in savings for our clients the first month. This efficiency not only benefits our operational costs but also allows us to pass on savings to our clients.
- Speedy responses: With an average reply time of just 20 seconds, Selma AI offers immediate, actionable advice, vastly outpacing traditional advisory response times. Our goal is to continue reducing this response time, further enhancing client satisfaction.

Financial Impact

- Significant deposits activated: The great engagement and positive feedback alone showcase Selma AI's potential in educating clients about their financial situation. Aside from that, Selma AI also had an impact on clients' investment behaviour. In the first weeks alone, Selma AI was instrumental in activating over CHF 3.4 million in additional deposits. This showcases how Selma AI can provide actionable advice that helps clients improve their financial situation while reaching clients in situations where they are most comfortable – on their home sofas.



Examples

The following examples are illustrations of AI at work, derived from real customer examples. The actual figures have been subject to changes to avoid any indication of the identity of the customers.

Illustrative Case 1: Insights into an investment portfolio

Client: "Can you analyse my investment portfolio for me?"

Selma AI: "Hey there! Let's take a look at your investment portfolio. 😊"

Your current investment strategy with Selma is leaning heavily towards growth, which suits your solid financial situation, great mental attitude towards risk, and investment horizon of more than ten years. This strategy is catered to not only ride through the ups and downs of the market but also to capitalise on the potential for higher returns over the long term.

Outlined in your portfolio are several slices:

- **International Companies and Private Equity:** The lion's share of your portfolio is in international companies and private equity, including regions like the USA, Europe, Japan, and emerging markets. This diversification allows you to reap the benefits from different markets and industries.
- **Real Estate:** A decent chunk is allocated to global real estate, giving you exposure to the property market without the need for direct property investments. This can act as a hedge against inflation while providing potential rental yield-like returns.
- **Swiss Companies:** A portion of your investments is also in Swiss companies, balancing your global exposure with some home bias, giving stability and leveraging the strong economic foundations of Switzerland.
- **Company Loans:** A small amount is placed in corporate bonds, which provide a bit of a cushion with steadier, although lower, returns compared to equity investments.
- **Precious Metals:** Lastly, a minimal portion of your investments is in precious metals such as silver and gold. These can act as a safe haven during volatile market conditions, though they make up a small part of your portfolio, in alignment with your focus on growth.
- Remember, the idea is to keep investing for the long haul, as time in the market is generally more beneficial than trying to time the market. Since your portfolio is

centrally managed by Selma based on your provided financial profile, it's set to automatically rebalance and adjust according to market conditions and any updates you make to your profile. Continually updating your investor profile can help Selma fine-tune your investment strategy to stay aligned with your financial goals and risk tolerance."

Satisfaction: The client rated the conversation as helpful.

Illustrative Case 2: Insights into Cash-Savings

Selma AI discussion: The following showcases a part of the client discussion with Selma AI:

Client: "Is my cash buffer large enough?"

Selma: "Absolutely, your cash buffer of CHF 100'000 is sizable. It's right on target, fitting well within the recommended 3-6 months' worth of expenses. This buffer ensures you're well-prepared for unexpected costs or emergency situations without needing to dip into your investments prematurely. Maintaining this amount ensures you're striking a good balance between being prepared for the unforeseeable and optimising your investable assets. Great job on managing this aspect of your financial health!"

Client: "How much of my savings can I invest?"

Selma: "You've got a total stash of CHF 250'000+ in cash, which is quite a treasure chest! After earmarking CHF 30'000 for upcoming expenses and maintaining your cash buffer of another CHF 100'000, you're left with a handsome sum of CHF 120'000 that's available for investment. Given your great ability to take financial risk and your goal of investing for a timeframe of three to ten years, this CHF 120'000 can be considered for putting into investments. Just ensure that this move aligns with your risk tolerance and long-term financial goals. This approach lets you tap into potential market growth opportunities while keeping enough liquidity for peace of mind."

Satisfaction: The client rated the conversation as helpful.

Client deposit behaviour: A deposit including a large share of the investable cash was booked on the after engaging with Selma AI.

Illustrative Case 3: Insights into investment potential

Client: "How much of my savings can I invest?"

Selma AI: "To decide how much of your savings you can invest, there are a few key factors you should consider:

- *Cash Buffer:* You already have a cash buffer of CHF 50'000, which is a wise precaution and should cover at least 3–6 months of your expenses.
- *Short-term financial needs:* You have indicated that you will need CHF 150'000 for foreseeable expenses over the next three years. It is important that this amount is not invested, as you need to keep it accessible and the investment markets can be volatile in the short term.
- *Current Cash excluding investments:* Deducting the amount set aside for short-term needs and your cash buffer, you have CHF 100'000 in cash.

Looking at these numbers, it seems as if you have already made appropriate arrangements for your immediate liquidity needs and for unforeseen expenses. This means that, theoretically, you could use the remaining amount beyond your short-term needs and your cash buffer for longer-term investments."

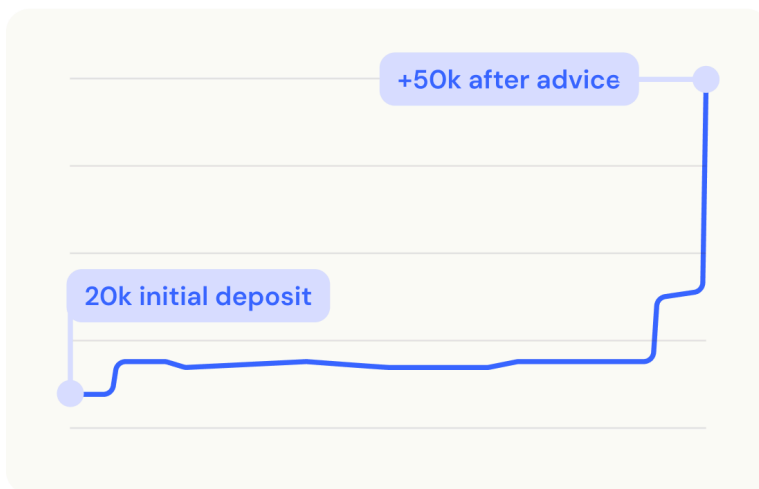


Illustration of observed client behaviour, additional deposits after chat with AI

Satisfaction: The client rated the conversation as helpful.

Client deposit behaviour: As a result the client deposited a significant sum of more than 50'000 CHF.

Takeaways and Future Directions

These early results from the Selma AI do not only validate our vision of "Wealth Advisory for All" but also highlight the appetite for digital, AI-driven financial advice among a broad spectrum of clients. The efficiency and scalability offered by Selma AI are proving to be game-changers in the wealth advisory sector.

Moving forward, we aim to refine our AI's understanding of client needs further, improve the personalisation of advice, and expand our service offerings based on client feedback and interaction data. Our journey has just begun, and we're excited about the possibilities ahead.

In conclusion, Selma AI is not just transforming how we offer wealth advisory services; it's also reshaping our clients' expectations and engagement with financial planning. With each interaction, we're learning, adapting, and moving closer to our goal of providing comprehensive, accessible, and highly effective wealth management for everyone.

About Selma Finance

Selma Finance with offices in Zurich, Switzerland and Helsinki Finland, combines the best of Swiss banking excellence and Nordic innovation in product development. Our team, composed of 24 professionals including experts from Google, Delivery Hero, and BDO, is dedicated to revolutionising how people manage their finances.

As an independent wealth manager, Selma Finance AG is regulated in Switzerland and was approved by FINMA in 2023. We serve over 13,000 clients, managing several hundreds of millions of CHF, with individual portfolios ranging from a few thousand to several million CHF.

Our robust backing comes from prominent investors such as TX Group and Migros, alongside more than 550 clients who have supported us through our recent crowdfunding round. At Selma, we are committed to tailoring our expertise to your financial journey, making sophisticated investment strategies accessible and understandable.

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