



Developments in Family Offices—Q1

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1. Family Office News

[Bank of Singapore Seeks to Expand Its Family Office Business](#)

Bank of Singapore, the private bank of Oversea-Chinese Banking Corp., is looking to expand its family office business as the city-state rolls out the red carpet for wealthy investors. Singapore family offices had average assets under management of \$857 million in 2017, nearly double the Asia-Pacific average of \$445 million, according to a survey of 262 such offices in a UBS/Campden report. To help expand its wealth and family office business in Europe, Bank of Singapore hired Anthony Adriano Simcic this month from HSBC Private Bank in Luxembourg.

Bloomberg Markets on Mar 15, 2018

[What Family Offices Want From Alternatives Managers](#)

Competition within the alternatives sector for family office investments is at an all-time high, as these investors get more comfortable with the range of assets available to them and their general understanding of alternatives rises.

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1. Family Office News *(continued)*

In order to maximize the chance of getting a review from high net worth investors, fund managers, particularly smaller hedge funds lesser known overall, can widen their contact efforts to include private client attorneys and accountants who specialize in providing alternatives guidance, and in so doing, tailor their marketing communications to appeal to these professionals. Topics of appeal to these individuals include favorable tax implications of fund structures, risk modification to portfolios including alternatives, and uncorrelated return characteristics to traditional asset classes, among other subjects.

Hedge Fund News From HedgeCo.Net on Feb 27, 2018

New breed of family offices disrupts field, upends old verities

A new class of family offices with deep roots in the world of complex transactions is emerging and threatening to upend old verities. While some sources grew giddy citing the size of family-office holdings of private equity, the statistics were misleading because they sometimes included family office holdings in the original business from which the family drew their wealth; usually included minority investments—including venture investments, and, almost always included limited partnership stakes in private equity funds (sometimes together with associated co-investments). A third trend might also be on the horizon: the blurring of lines between family offices and PE firms resulting from family office investments in private equity GPs.

PE Hub - US Blog on Feb 26, 2018

Inside family offices: Of families, funds & their future

For startups in India, family offices are becoming a crucial pool of funds between angel investors and VC funds. “In terms of appetite, family offices don’t function like regular fund managers,” notes Karthik Reddy, co-founder and managing partner of Blume Ventures, the first domestic VC fund in India. But their intent is: by putting Rs 6 crore or Rs 8 crore across three (VC) funds across three years, they have the opportunity to invest Rs 20 crore to Rs 25 crore, and get better leverage to play in the portfolios of these funds,” Reddy explains.

Economic Times - Emerging Businesses on Feb 21, 2018

Trusts, Special Needs Trusts, Family Offices All Need Integrity Monitors But Don’t Know It

According to this article, if you’re planning a trust or are a beneficiary of a trust, you should insist upon imposing an “Integrity Monitor” or independent fiduciary to oversee the investment program, as well as the service providers retained to implement that program. If you don’t have an expert in money management malfeasance dedicated to overseeing the investment program of your trust, expect to be taken advantage of daily throughout the lifetime of the trust. Believe it or not, subtle bleeding kills—over time.

Forbes Investing on Jan 30, 2018

Family Offices Face Tricky Pre-Flight Checklist Over Private Jets—Citi Private Bank Study

Such requirements show that in countries such as the US where urban hubs are several time-zones apart, it makes sense for family office members to use private aircraft, either hiring them via a specialist firm, via a fractional ownership model, or owning planes outright. (And none of these activities can be called the “soft” side of family office activity—quite the reverse.) With aviation resources, family offices, unless they are in the very large bracket and able to afford in-house expertise, rapidly find they need to work with outside experts, Ford von Weise, director, global head, aircraft finance at Citi Private Bank, told this news service. “Most family folks are.... not well suited to managing aircraft or know what to ask people who are managing aircraft,” Weise, who decided to write the recent report after chatting to family offices, said. “For a family office to concentrate on the issues around directly owning a private aircraft is difficult as there so many moving parts involved,” he said, referring not just to the mechanical side but to the business, regularly and HR issues around the operations of private jets.

Family Wealth Report on Feb 15, 2018

A Quick Tour of Family Offices Around the World

Though, in some sense, family offices have always been around—even going back to ancient China, we’ve experienced an international boom in the industry only recently. Ten years ago, the global financial crisis hit, and many wealthy families began to rethink their uses of traditional investment managers and firms. They wanted more active control. Hence a global interest in creating family offices. This article offers a quick (alphabetical) rundown of what’s been going on in the family office space worldwide.

Wealth Management on Jan 13, 2018

Key Advisor Takeaways from 2017 Family Office Activity

Single-family offices, the ultra-private organizations that help the world’s wealthiest families oversee their financial affairs, are often viewed as leading indicators for the broader high-net-worth and ultra-high-net-worth markets. Based on research iCapital Network conducted with this cohort in 2017 and prior years, single-family offices have a strong appetite for alternative investments and use them widely in their portfolios. Because these organizations are focused on maximizing a family’s wealth, rather than that of a specific generation, their investment time horizons can more closely resemble those of a pension or endowment than the average individual investor. That said, the findings highlight some important implications for advisors in terms of catering to UHNW and HNW clients going forward.

Wealth Management on Jan 5, 2018

2. Single Family Office

How Trusts And Estates Lawyers Can Profit Serving The Super-Rich And Single-Family Offices

For the preponderance of trusts and estates lawyers, successful business owners are assuredly the best type of client. Still, for a select few private client lawyers, their focus is on the apex of the financial pyramid—the richest of the rich. They want to garner the super-rich and the boutique firms—the single-family offices—that are created to address their needs and wants. Even though the super-rich and single-family offices can be amazingly profitable for trusts and estates lawyers, only about 4% of lawyers are actively looking and taking steps to cultivate them. In extensively research and consulting with single-family offices, we find a greater and greater tendency to outsource various kinds of expertise. This bodes very well for private client lawyers.

Forbes Investing on Feb 20, 2018

Evolving Versions Of Single-Family Offices

According to Angelo Robles, founder and CEO of the Family Office Association and author of *Effective Family Office*, “When done ‘right,’ single-family offices are structurally flexible. If the all-in self-contained single-family office—which is never the case—is on one side of the spectrum, and the completely virtual single-family office is on the other end of the spectrum, there is a tremendous amount of variation between them.” Let’s consider a couple of examples: Hub-and-Spoke: In this model, the parent’s single-family office provides administrative support, wealth planning expertise, and lifestyle services. For example, on the more complex end of the spectrum we created a near-virtual single-family office for a perpetual tourist. “An ultra-wealthy perpetual tourist wanted a single-family office after having decided that the private banks he was relying on were gouging him.

Forbes Investing on Feb 6, 2018

3. Tax

T.C. Memo. 2017-426 Lender Management, LLC v. Commissioner

Lender Management, LLC v. Commissioner is a memorandum decision where the U.S. Tax Court discussed the distinction between investment activities and trade or business activities of a family office and ruled that a Family Office is engaged in a trade or business and was able to deduct expenses under IRS Code Section 162.

US Tax Court on Dec 13, 2017

U.S. Tax Reform: Key Considerations for Non-U.S. Families with Connections to the United States

The Tax Cuts and Jobs Act (the Act) was signed into law on December 22, 2017. The Act is without a doubt the most impactful reform to the Internal Revenue Code since the tax reform of 1986. While it does not appear that the Act was specifically put forth to affect the private client industry, it has done so in a significant way. The International Private Client Group of Benesch has prepared this comprehensive Client Bulletin to identify and highlight the most relevant considerations for non-U.S. families with connections to the United States.

Importantly, in light of the significant changes made by the Act, it is advisable that all of a non-U.S. family's investment structures be reviewed on a holistic basis to ensure not only that they maintain the efficacy of the original planning, but also that they continue to be compliant with any applicable U.S. reporting and/or tax obligations.

4. Investments

Single-Family Offices Investing And Trading Cryptocurrencies

Looking worldwide, a percentage of single-family offices are meaningfully involved in investing in cryptocurrencies with a growing number of them seriously investing in blockchain technology companies. Their objective is to capitalize on the changes in the movements of various cryptocurrencies, which is why all the volatility works for them. "The expertise and capabilities many single-family offices bring to the investment and trading of cryptocurrencies can result in substantial profits," says Angelo Robles, founder and CEO of the Family Office Association and author of *Effective Family Office*. In any event, certain single-family offices are focusing their efforts in order to profit by investing and trading various cryptocurrencies.

Forbes Investing on Jan 23, 2018

5. Private Equity and Hedge Funds

Single-Family Offices And The Ultra-Wealthy Are The Keys To Raising Capital For Smaller Hedge Funds

The greatest capital raising opportunities for smaller hedge funds—those with \$500 million or less under management—are probably the ultra-wealthy. “Single-family offices have and are continuing to put substantial amounts of money with smaller hedge funds,” says Angelo Robles, founder and CEO of the Family Office Association and author of *Effective Family Office*. For a large percentage of smaller hedge funds, the answer to raising capital is the rich and super-rich. *Forbes Investing* on Jan 3, 2018

The Three Biggest Mistakes PE Firms Make Working With Single-Family Offices and the Super-Rich

According to Usha Bhate, an executive director at Institutional Investor and a leading international authority on single-family offices, “Single-family offices and the extremely wealthy have a number of reasons for being unhappy with private equity firms even when investment results are solid. Along these lines, according to Peter Sasaki, managing member of CGS Associates, “To raise capital ongoing from the ultra-wealthy, knowing their experience with private equity funds and direct investments, their time horizons, the returns they’re anticipating, and their views of lock up periods can all be key in framing the discussion.” Single-family offices and the super-rich have been and will likely continue to be a source of substantial capital for many private equity firms. *Forbes Investing* on Jan 30, 2018

6. Real Estate

Besyata Investment Group and The Scharf Group Acquire One Dartmouth Place in Denver, CO for a Purchase Price of \$65.5 Million

Besyata Investment Group and The Scharf Group, both NY-based single family offices, have acquired One Dartmouth Place in Denver, CO for a purchase price of \$65.5 million. Besyata and Scharf plan to add value to the property through gradual unit renovations in addition to amenity/common area enhancements to better compete with properties in the area. *Business Wire Construction & Property News* on Mar 13, 2018

7. Risks

Asia's Richest Banker Plans Family Office But Spurns Cryptocurrencies

The family of Uday Kotak, billionaire managing director of Kotak Mahindra Bank Ltd., is setting up an office to invest in assets including private equity, stocks and real estate worldwide. The Mumbai-based banker, whose \$10.3 billion fortune makes him the eighth-richest person in India and the wealthiest banker in Asia, held about 30 percent in Kotak Mahindra Bank as of end-September, which is worth \$9 billion based on current prices. Subramanian, who is currently chief executive officer at Infina Finance Pvt., a \$470 million long-short fund that has Kotak and his bank as sole investors, is working with members of Kotak’s family to put in place a team to manage the office. *Bloomberg Markets* on Jan 9, 2018