



Developments in Family Offices—Q4

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1. General

Family Offices Flourish Around the World

In some sense, family offices have always been around. They were present back in medieval times in England and hundreds of years ago during major dynasties in China—it was just the entrepreneurial industrial “barons” in the United States who publicized and marketed the category named “family office.” Here’s a run-down of what’s going on in select countries.

Wealth Management - Dec. 13, 2017

Opalesque Roundtable: How family offices and hedge fund managers are forging closer ties

Family offices are seeking dedicated access to investment strategies or technologies that are not normally available to them. By entering close partnerships with skilled independent investment managers, family offices are increasingly able to access a diverse range of proprietary trading and investment talent while allowing those outsourced managers to focus on what they are good at.

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1. General *(continued)*

Speaking at the latest Opalesque 2017 Netherlands Roundtable, Jos van Trier, Partner and Founder of TRZ Funds, explained that he is seeing this type of “cooperation and integration” particularly from larger family offices. He told the Roundtable participants, “We see such a new form of cooperation and integration as an interesting direction and preference from the investor side, particularly from larger family offices. This is more than the traditional multi-family office fund services or managed account approach.”

Opalesque Exclusive - Nov. 10, 2017

What Are Embedded Family Offices?

As with all aspects of the family office universe, no one knows the number of embedded family offices. Anecdotal evidence suggests that the number of embedded family offices is growing. This correlates to the growth in number and wealth of accomplished entrepreneurs.

A growing percentage of successful entrepreneurs are leveraging their businesses to deliver a portion of the capabilities of single-family offices. However, this approach tends to become problematic as the embedded family office gets more and more responsibilities. When this occurs, the preferred solution is often to spin out the embedded family office.

“We’re seeing more and more accomplished entrepreneurs transition from embedded family offices to stand alone single-family offices,” says Angelo Robles, Founder and CEO of the Family Office Association and author of *Effective Family Office*. Also, confidentiality, which is always a big concern, is more likely to be breached in embedded family offices.” According to Rick Flynn, Co-CEO and founding partner of LVW/Flynn and author of *The High-Functioning Single-Family Office*, “In working with business owners who have embedded family offices, we find that almost all of them eventually find the arrangement to underperform.”

Forbes Investing - Oct. 30, 2017

Family offices: a history of stewardship

John Davis, Founder and Chairman of the Cambridge Family Enterprise Group and a consultant on family businesses, says the classic notion of a separate entity managing wealth beyond the family business first came to fruition in Europe in the 19th century, before emerging in the US.

He adds that while there is clearly a fundamental need among wealthy families for professional help to manage their money and service other needs, the family office has become a bit of fad among wealthy families. There are other important needs that a family office can meet, such as helping members file tax returns, financial and inheritance planning, supporting the family’s philanthropic and community activities, and organizing family meetings, family education and family communication.

“As the family’s interests become more diversified, the estate office’s role becomes correspondingly wider and a family office is born.” As each office usually only serves one family, it is more a question of what the members need, he explains, from lifestyle management and concierge services to investment management and banking.

An important consideration in choosing a family office, according to Sebastian Dovey, Managing Partner of Scorpio Partnership, a wealth management consultancy, is whether the culture and ethos of the office are closely aligned to the family’s.

Financial Times - Oct. 20, 2017

2. Regulatory

Key Tax Considerations For High Net Worth Family Offices

Over the years, families of significant wealth have come to realize the many benefits of establishing a family office, including enhanced control, privacy, customization of their overall asset allocation, wealth and risk management and integrated legacy planning. Whether formally structured or operated informally such as through an existing business, a properly structured family office formed in conjunction with family trusts offers significant benefits in the areas of tax mitigation, asset protection and liability protection for the beneficiaries and trustees.

Law360 - Expert Analysis - Dec. 11, 2017

The House Tax Proposal: Some Key Implications For Family Office

If the proposed House tax bill becomes law, there are certainly going to be issues single-family offices will need to address as well as significant opportunities for them to mitigate their taxes.

Forbes Entrepreneurs & Small Business News - Nov. 13, 2017

3. Private Equity

SFOs Moving to PE, Direct Investments

Ninety percent of SFOs maintained or increased their PE exposure over the past year, even as 56% trimmed their hedge fund allocations, writes ThinkAdvisor, citing research from fintech platform iCapital Network.

The iCapital study showed that 87% of SFOs allocate at least 10% of their portfolios to alternative investments, while 27% allocate at least 15%. SFOs' favorite investment? Private equity funds, which are held by 41% of survey respondents.

iCapital's data were collected in the year through June of 2017, from 157 SFOs with investments in PE, hedge funds or direct deals.

Barron's News - Nov. 15, 2017

Newly Nimble Family Offices Snag Deals Away From Private Equity

Families were once regarded as slow-moving and inexperienced investors, but that's all changed in the past few years. Looking beyond traditional investments in stocks, bonds, or even alternatives such as hedge funds, many family offices, vehicles that manage the investments and affairs of the wealthy, have pursued direct investments in companies and real estate. The most sophisticated ones are turning into investment giants, leveraging their patient capital and regularly pitting their checkbooks against private equity firms. They're also going so far as to hire away top talent, scouring the country to beat other players to attractive targets and competing with them for big-ticket deals in companies worth hundreds of millions, or even billions, of dollars. And perhaps most surprising of all, they're winning. That's because one of the biggest advantages families can have over traditional private equity is speed.

National Real Estate Investor - Oct. 20, 2017

4. Single Family Office

Billion Dollar Single-Family Offices Are Leading The Industry Transformation

The world of single-family offices is expanding like never before. There are a multitude of reasons for this, and topping the list is the global creation of new Croesus sized family fortunes.

“A pronounced trend among single-family offices can be summed up as a move to state-of-the-art professionalism,” explains Angelo Robles, Founder and CEO of the Family Office Association. “No where is this more evident than among the wealthiest single-family offices, those investing billions of dollars.”

Another characteristic of many of these billion dollar single-family offices is they often use the participant compensation model. In order to get the highest caliber investment professionals to take positions at a family office, they have to be able to share in the upside when they deliver sensational results.

As these billion dollar single-family offices become ever more proficient through “lunches,” symposiums, single-family office conferences, and other events coupled with the increased outreach among senior executives, professionalism will expand among single-family offices that are investing less.

Forbes Investing - Oct. 17, 2017

What Are The Behavioral Best Practices Of Single-Family Offices?

Based on the research and experience of Rick Flynn, Co-CEO and founding partner of LWV/Flynn, and author of *The High-Functioning Single-Family Office*, the following are five instrumental behavioral best practices:

- **Results Driven:** In high-functioning single-family offices, it is all about results. There are clear goals and objectives. This regularly takes the form setting quite high expectations and ensuring accountability.
- **Thoughtful Decision-Making:** In many respects, a single-family office is like a formidable family business. In high-functioning single-family offices, the ultra-wealthy families and senior management are proficient at decision-making taking into account diverse priorities.
- **Strategically Outsourcing:** Core to high-functioning single-family offices is that the ultra-wealthy and senior management know there are very few things they do well and what role these skills and expertise play in being successful. Thus, they stick to those deliverables where they are exceptional and skillfully manage external experts.
- **Purposefully Connecting:** Senior executives and generally more so the ultra-wealthy have extensive and very useful personal and professional networks. To generate the greatest value from these extensive and powerful networks requires thinking about them as a means to an end. High-functioning single-family offices are replete with expert networkers.
- **Maximize Relationships:** Being able to forcefully capitalize on the wealth, stature, and connections of the ultra-wealthy, likewise with the relationships of the senior executives, is characteristic of high-functioning single-family offices. Negotiating prowess is essential.

Forbes Entrepreneurs & Small Business News - Oct. 16, 2017

You've Met One Family Office, You've Met One Family Office

A friend put it very succinctly when describing the investing strategies of single family offices in the following blanket-statement terms:

You've met one family office, you've met one family office.

In other words, they all invest so differently there is no way to put them into nice buckets. Conversely private equity groups typically have investment theses that look very formulaic.

Both single and multi-family offices can behave very differently when it comes to their investment mandates. They not only lack the pressure of a "2 and 20" structure, many of them have buy and hold strategies that are lifetime-focused and which go well beyond the short-sighted five-year horizons of most private equity shops.

Reverse Merger & SPAC Blog - Oct. 13, 2017

Increasingly, Single-Family Offices Are Looking To Hire In-House High-Caliber Investment Talent

Globally, the establishment of multi-billion dollar single-family offices is accelerating. At the same time, with the run-up in the markets and the boom in venture capital, the coffers of many of single-family offices are, for the most part, overflowing.

The super-rich are therefore seeking out high-caliber investment talent to work within their single-family offices. "Often these investment professionals are coming from hedge funds and private equity firms" says Angelo Robles, CEO and Founder of the Family Office Association.

"A growing percentage of single-family offices are providing participatory compensation for exceptional investment professionals," says Usha Bhate, Executive Director at Institutional Investor. "In 2016, the average compensation for participating investment professionals was slightly more than \$2 million." With growing demand for high-caliber investment talent, coupled with the potential to become seriously wealthy, it is no surprise that more and more investment managers are interested in positions at single-family offices.

Forbes Entrepreneurs & Small Business News - Oct. 6, 2017

5. Multi-Family Office

[A Look at One Family Office's Bet on the Multifamily Sector](#)

Puerto Rico-based family office Grupo Ferré Rangel is spreading its wings in multifamily real estate.

Kingbird Properties says it'll tap into Grupo Ferré Rangel's capital to buy value-add multifamily properties through Kingbird, and will form investment alliances with third-party investors, other family offices and local operating partners.

Kingbird Properties will concentrate on multifamily real estate segments like workforce housing, market-rate housing, student housing and senior housing.

The following is a Q&A with Ken Munkacy, Senior Managing Director of Boston-based Kingbird Properties.

Wealth Management - Nov. 30, 2017

[To Excel Multi-Family Offices Require Process As Well As Platform](#)

Based on a study of 803 financial advisors, around 17% of them were multi-family offices. For more than nine out of ten of them, a considerable amount of time, money, and effort is placed on making sure they have a top-of-the-line platform.

What was evident is that even though the model is in high demand by the ultra-wealthy, many multi-family offices are not reaching their potential. There are a number of reasons for this such as failing to adopt integrated value-based pricing. Another major contributing factor is while they will tend to focus heavily on having the right platform of deliverables, they often neglect to adopt processes that are essential in bringing all the pieces together.

According to John Bowen, Founder of CEG Advantage, "To cultivate and excel in working with the ultra-wealthy and the super-rich, multi-family offices must be able to deliver an array of high-caliber services and products in a highly consultative manner."

Forbes Entrepreneurs & Small Business News - Oct. 5, 2017

6. Investments

Some Single-Family Offices Are Hedging Their Bitcoin Investments

Investing in Bitcoin is a way for single-family offices to diversify their portfolios. “For some time, we’ve seen single-family offices, especially those with greater assets under management, invest in an array of less traditional assets such as crypto-currencies,” says Angelo Robles, Founder and CEO of the Family Office Association and author of *Effective Family Office*.

According to Peter Sasaki, Managing Member of CGS Associates, “Family offices are hedging their Bitcoin and other crypto-currency positions in a number of ways. One approach is a private arrangement with another investor, which is usually an institutional player or a hedge fund.”

Single-family offices, in general, have been delivering exceptional returns for their ultra-wealthy families. For some of them Bitcoin has helped fuel those returns, and hedging these positions is a way to lock in gains.

Forbes Investing - Dec. 12, 2017

Ultra-Wealthy Families Love Alternative Investments: iCapital

A new report on single-family office investment activities from iCapital Network, a financial technology platform, showed that 87% of these entities allocate one-tenth of their portfolios to alternative investments, and 27% allocate 15% or more.

Private equity funds were the most popular type of alternative investment, with 41% of single-family offices maintaining exposure, followed closely by hedge funds, the choice of 39% of these investors. Twenty-seven percent invested directly in private companies.

The research found that 90% of SFOs maintained or increased their private equity exposure over the past year whether through funds or direct deals, while 56% decreased their hedge fund allocations. “This level for private equity is consistent with the target allocations of many institutional investors,” Nick Veronis, Co-Founder and Managing Partner at iCapital Network, said in a statement.

ThinkAdvisor - Nov. 13, 2017

World’s Richest Families Seeking to Make More Deals on Their Own

Sixty-six percent of single-family offices expect to increase their direct investments during the next three years, iCapital Network, an online marketplace that helps the ultra-wealthy access alternative investments, said in a report Thursday. They found that more than 60% of the firms already making direct investments increased their bets in the past year.

Wealth Management - Nov. 9, 2017

Why Private Investors Are Drawn to Value-Add Retail

The entrepreneurial nature of family offices, private-equity groups and high-net-worth individuals makes them less risk averse than institutional investors, but value-add retail opportunities are now few and far between, CBRE’s Arthur Flores tells *GlobeSt.com*.

GlobeSt.com - Oct. 27, 2017

7. Millennial Issues

Millennials shaping family office strategy

Socially mindful and environmentally conscious millennials are driving a shift in how the ultra-wealthy manage their money as family offices set to ramp up allocation towards impact investing, according to latest research.

Financial Standard Latest News - Oct. 15, 2017

8. Risks

Why family offices need to up their game on cyber security

If the number of worldwide cyberattacks that took place this year taught us anything, it is that no one is truly safe. However, new research has found that ultra-high net worth families (UHNW) and family offices do not even appreciate the greatness of the threat.

According to Private & Confidential: The Cyber Security Report, a study by Schillings and Campden Research, 38% of respondents do not have a cyber security plan in place.

Rod Christie-Miller, Chief Executive at consultancy Schillings, said, “We see lots of deliberate attacks on families and their businesses by those opposed to them. Whether they are blackmailers, disgruntled family members, business or political rivals, lots of people with an agenda are seeking stolen or private information to gain an advantage.”

City Wire Wealth Manager News - Nov. 30, 2017

Pass the baton: how family offices can survive succession

Succession planning is to become one of the greatest risks for family offices as 43% expect a generational transition in the next 10 years, according to a new study.

The Global Family Office Report 2016 by UBS and Campden Wealth found that preparation for succession has become a key area of focus for family offices as a further 69% expect transition within 15 years.

Michael Maslinski, a Partner at Stonehage Fleming, said, “Intergenerational transfer is a crucial part of what we do, and within that, we see succession from one generation to the next as not only one of the greatest opportunities, but also the biggest risk that families face.”

LJ Partnership News - Nov. 11, 2017