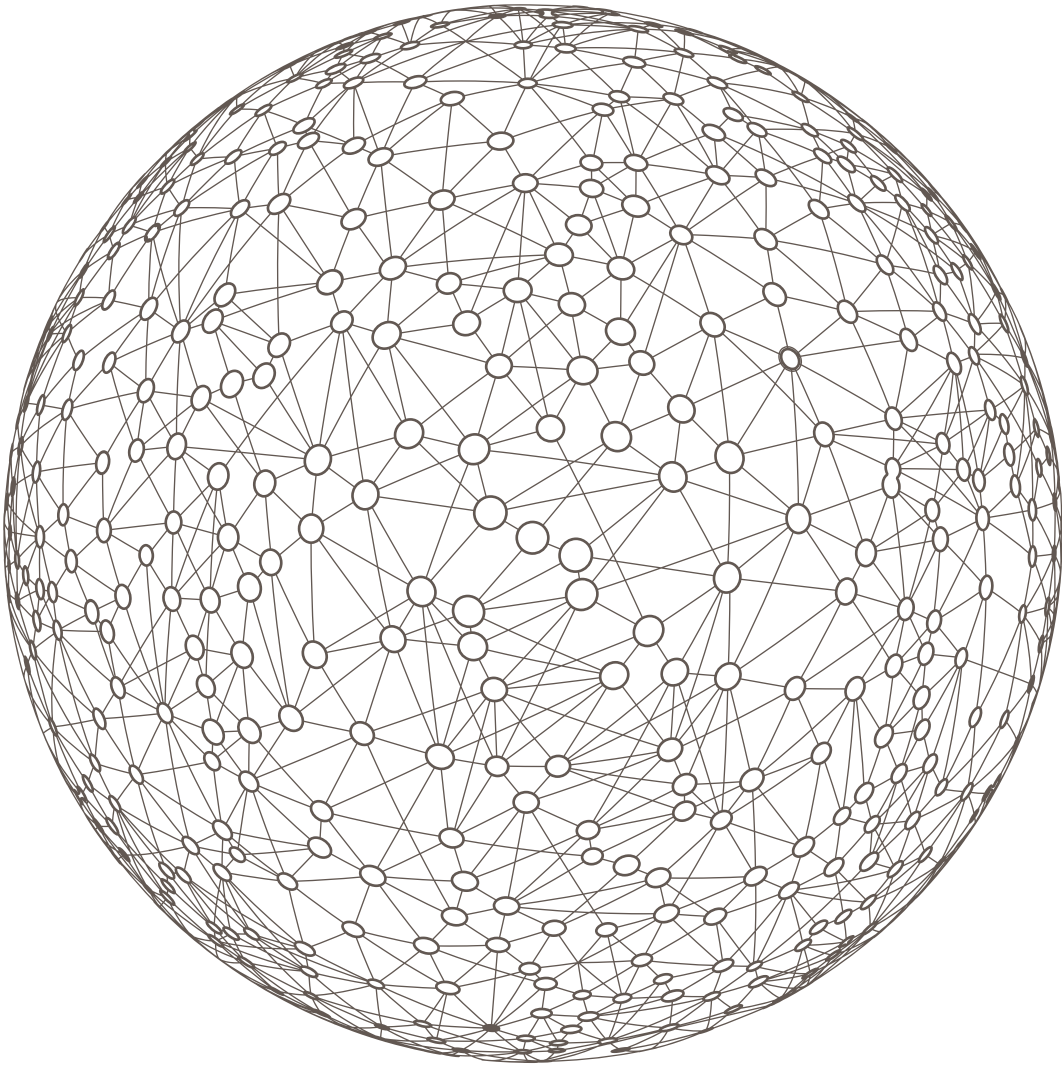


The Global Family Office Report

2019



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Forewords

Dear reader,

At UBS, we constantly strive to improve the quality of the information we deliver to clients. The Global Family Office Report is no different. This year, our aim was to shed more light on what family offices have been thinking about macro trends in politics, business, society and the environment.

The following pages reveal a degree of cautiousness – and in some cases, discomfort – over geopolitical tensions and the short-term impact these could have on financial markets. In response to this, we've found that many family offices are now re-thinking aspects of their investment strategies.

But the long-term direction of travel is consistent.

Our findings revealed that private equity and real estate remain in vogue, with a growing preference to invest directly and take operational control. It's interesting to see this hands-on approach translate into outperformance. In the case of private equity, direct investments where the family office played an active role in managing the business delivered a 16 percent return last year. The equivalent figure for private equity funds was 11 percent.

Another trend that continues to build momentum according to the findings is the adoption of sustainable and impact investing. In the words of one executive, "this is not a passing fad". While many family offices believe there are still challenges to overcome in this space, sustainable and impact investing are now widely seen as proven concepts that should be utilized.

So, while there is a palpable sense of caution, we can also see a confidence among family offices that they can be bold and use their illiquidity advantage to see out any short-term disruptions in financial markets.

Elsewhere in the report, it's encouraging to note a strong uptick in succession planning. This is a complex issue spanning business, investments and family relationships, and it is not easy to get right. Written plans are important, but they should be considered as part of a broader process of preparing the next generation to take control.

We hope you enjoy this report and would like to thank all the families, executives and advisors who contributed their insights.

Yours faithfully,



Sara Ferrari
Head UBS Global Family Office Group

Dear reader,

In the last decade or so, the global family office space has gone from strength to strength. Despite heightened geo-political, economic, and financial market turbulence, family offices have experienced a rise in number, scale, and sophistication.

To help family offices on their journey, we continue in our efforts to make each Global Family Office Report more in-depth, pertinent, and insightful than the last. To highlight some of the key findings for 2019, we can report –

- Family offices' average investment portfolio struggled to meet expectations in nine out of 13 asset classes this year, with the global average portfolio performance coming in at 5.4% (Q1/Q2 2018 – Q1/Q2 2019).
- With 55% of family offices surmising that we are going to enter into a recession by 2020, nearly half are battening down the hatches and realigning their investment strategies to mitigate risk (45%), increasing their cash reserves, and / or preparing to capitalise on opportunistic events (42% each).
- Meanwhile, others are looking to the longer-term and injecting further funding into sustainable and impact investing, with over a third of family offices now engaged in sustainable and a quarter in impact investing. With predictions from these investors that about one-third of their average portfolios will become sustainable and one-quarter impact within the next five years, this is an important space to both watch out for and to assist family offices with, as the future unfolds.
- Another area of growth that continues to influence not only the family office space, but the business community more widely, is technology. A notable 87% of respondents agree that artificial intelligence will be the biggest disruptive force in global business, while 56% agree that blockchain technology will fundamentally change the way we invest.

These findings are a small sample of the useful information that has been compiled this year.

Many thanks to all the family office executives who took part in this research, providing valuable contributions, made to benefit the whole community. A special thanks as well to our partner, UBS, and to the Campden Research team, who worked most diligently to create this report.

With that said, we hope you enjoy the read.

Yours faithfully,



Dominic Samuelson
Chief Executive Officer, Campden Wealth

Executive Summary

MARKETS

Recession fears loom

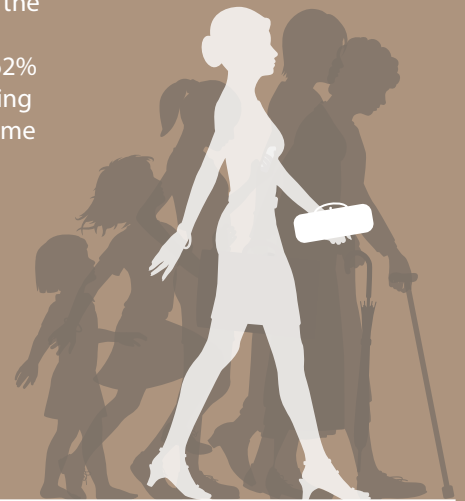


55% of family offices believe we will enter a recession by 2020. In preparation for the next economic downturn, 45% are realigning their investment strategies to mitigate risk, while 42% are increasing their cash reserves.

SUCCESSION

Life begins at forty!

The average age a next generation member assumes control of the family enterprise is 45 years old, with 62% of all Next Gens being 40 or older at the time of succession.



INVESTMENT

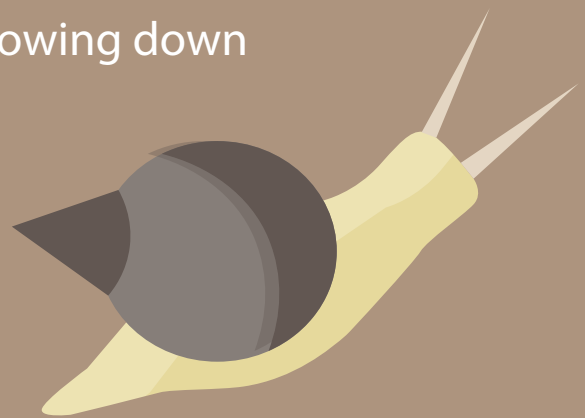
Returns fade



Based on self-reported returns, family offices' overall investment performance fell over the last year, with the average portfolio globally returning 5.4%. Family offices in Asia-Pacific and the Emerging Markets had the highest average returns at 6.2%, followed by North America at 5.9% and Europe at 4.3%.

EQUITIES

Slowing down



Taking a dive from last year, developed market equities produced an average return of 2.1%: falling 5.2 percentage points below expectations. Developing market equities returned -1.1%, trailing 10 percentage points behind expectations.

PRIVATE EQUITY

Outshines

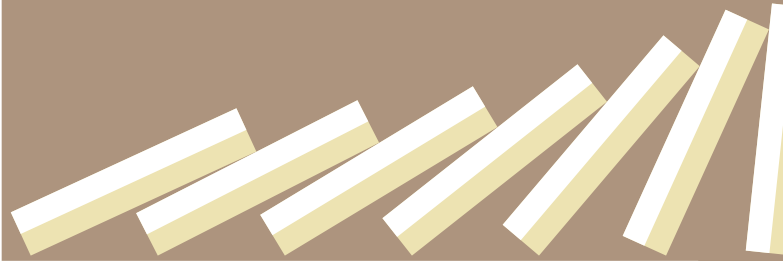


Private equity fared the best of all asset classes in 2019, achieving an average return of 16% for direct and 11% for funds-based investing.

REAL ESTATE

Gains momentum

Real estate gained the greatest traction this year, with allocations rising more than any other asset class, by 2.1 percentage points. The average return stood at 9.4%.



SUSTAINABLE INVESTING

Sowing the seeds

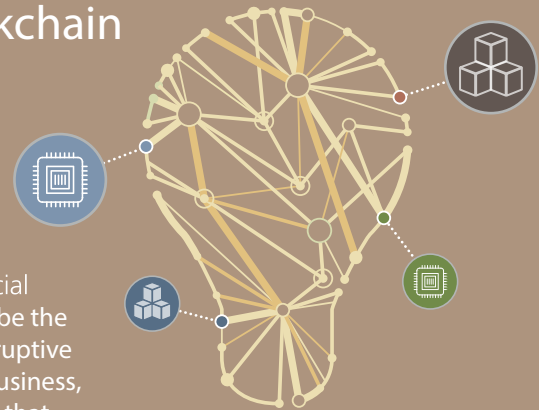
34% of family offices now engage in sustainable investing, with 19% of the average portfolio dedicated to sustainable investing. It is predicted that this average portfolio share will increase to 32% within the next five years.



TECHNOLOGY

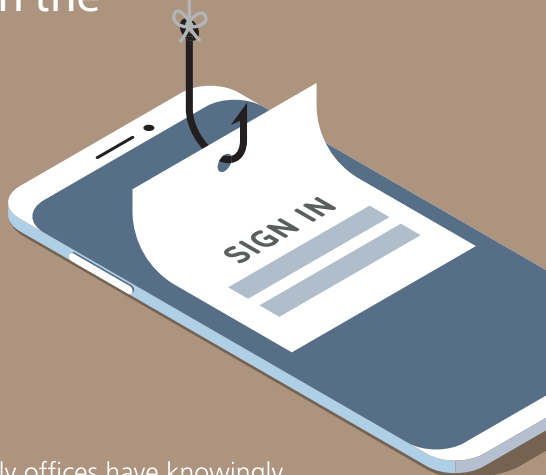
Disruptive forces: AI & Blockchain

87% of respondents agree that artificial intelligence will be the next biggest disruptive force in global business, while 57% agree that blockchain technology will fundamentally change the way we invest.



CYBER SECURITY

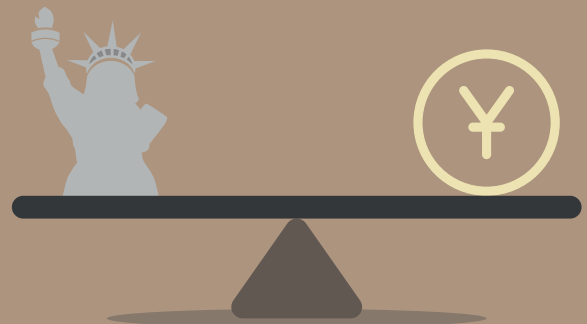
1 in 5 on the hook



20% of family offices have knowingly experienced a cyber security attack. The most common forms of attack are phishing (76%), malware (33%), and social engineering (33%).

POLITICAL OUTLOOK

US & China threaten stability



91% of family offices believe that US/China relations will have major economic implications in 2020, while 63% believe that Brexit will be negative for the UK as an investment destination in the long-term.

1. The Family Office Landscape

1.1 Introduction

1.2 Overview of Participants

1.1 Introduction

“I read diligently so that I can learn and continue to be a good steward of my family’s wealth.”

– Family Member and Managing Director, Single Family Office, North America

This year marks the sixth edition of the annual Global Family Office Report. Since its inception, this report has aimed to provide in-depth information and analysis about the family office space worldwide.

The first year this report was published (2014), 205 family offices participated. Each year this figure has grown, and today 360 family offices from around the world have kindly contributed to its production; 80% of which are single family offices and 20% multi-family offices.

New additions to the report

Capturing a sizeable 4% of the entire single family office universe, this year’s report offers information about a host of topics that are pertinent to family offices, including investments, performance, sustainability, operational costs, governance, succession planning, cyber security, and more.

This year, we have also introduced two new chapters. The first is dedicated to regional trends, with a plethora of new information about family offices in North America, Europe, Asia-Pacific, and the Emerging Markets. The second is a look into the attitudes of family office executives from around the world on hot topics relating to economics, politics, technology, social equality, the environment, and the evolving family office space.

Methodology

The Global Family Office Report uses a mixed method, qualitative and quantitative research approach. In addition to 25 interviews that were conducted with senior family office executives from around the globe, 360 surveys were collected between February and May 2019 from family offices worldwide. In turn, the quantitative findings within this report are relevant from the date of collection.

One caveat to this is, however, the performance data. To ensure that the most up-to-date data was obtained, respondents were asked for their average performance for the 12 months prior to their participation in the survey (i.e. Q1/Q2 2018 – Q1/Q2 2019). In previous years, the performance data came from global indices, not directly from family offices, therefore one can expect a degree of variation between the performance figures denoted in this year’s report versus last year’s.

The method for reporting year-on-year data has also been updated. In previous years, the term ‘multi-year participants’ was used to identify statistics that showed the difference in findings between the present year and the previous year. In doing this, only those family offices which completed the survey for both years were included, which typically amounted to roughly one-third of the overall sample.

In order to increase the sample size to give greater weight to the findings, family offices this year have instead been asked to provide data for both 2018 and 2019.

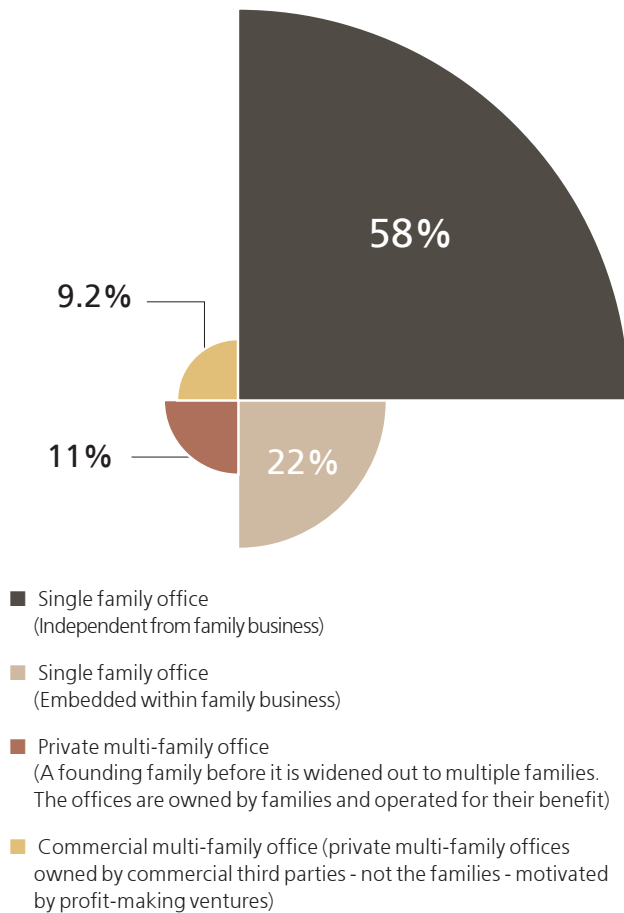
1.2 Overview of Participants

The following outlines a profile of the family offices which participated in the research –

360 family offices participated from around the globe

In 2019, 360 family offices participated in the Global Family Office Report survey, up 16% from 2018. Eighty percent of participants were from single family offices (SFOs) which were either independent or embedded in the family business, whilst 20% were private or commercial multi-family offices (MFOs) (figure 1.1).

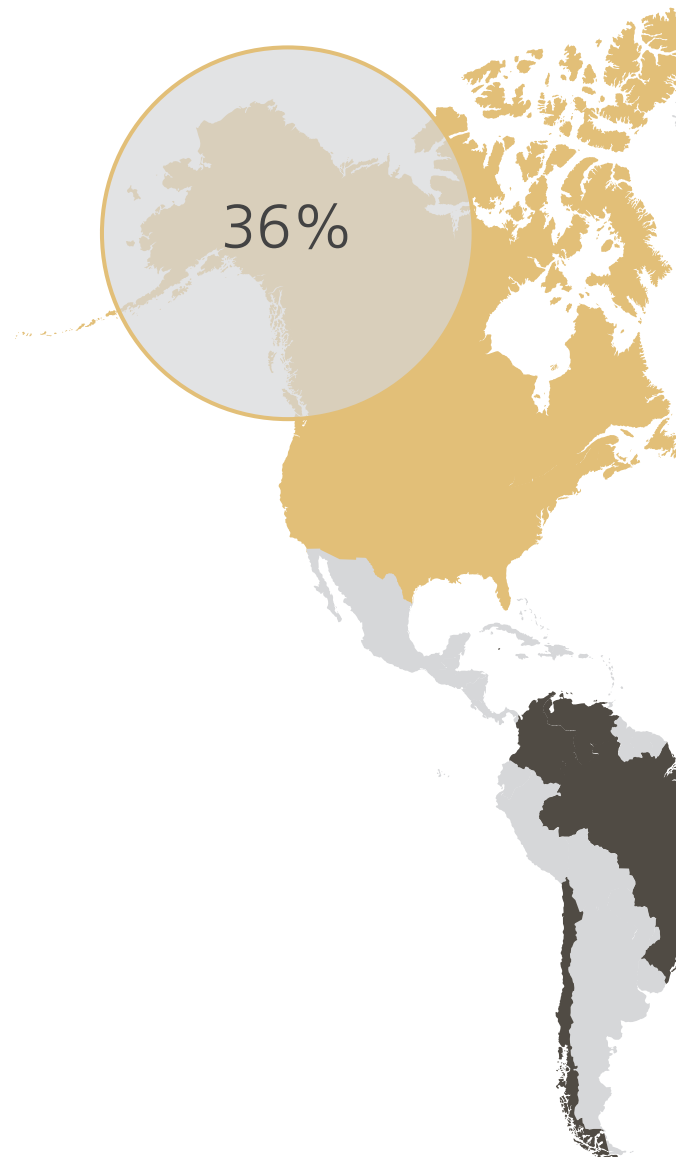
Figure 1.1
Type of family office



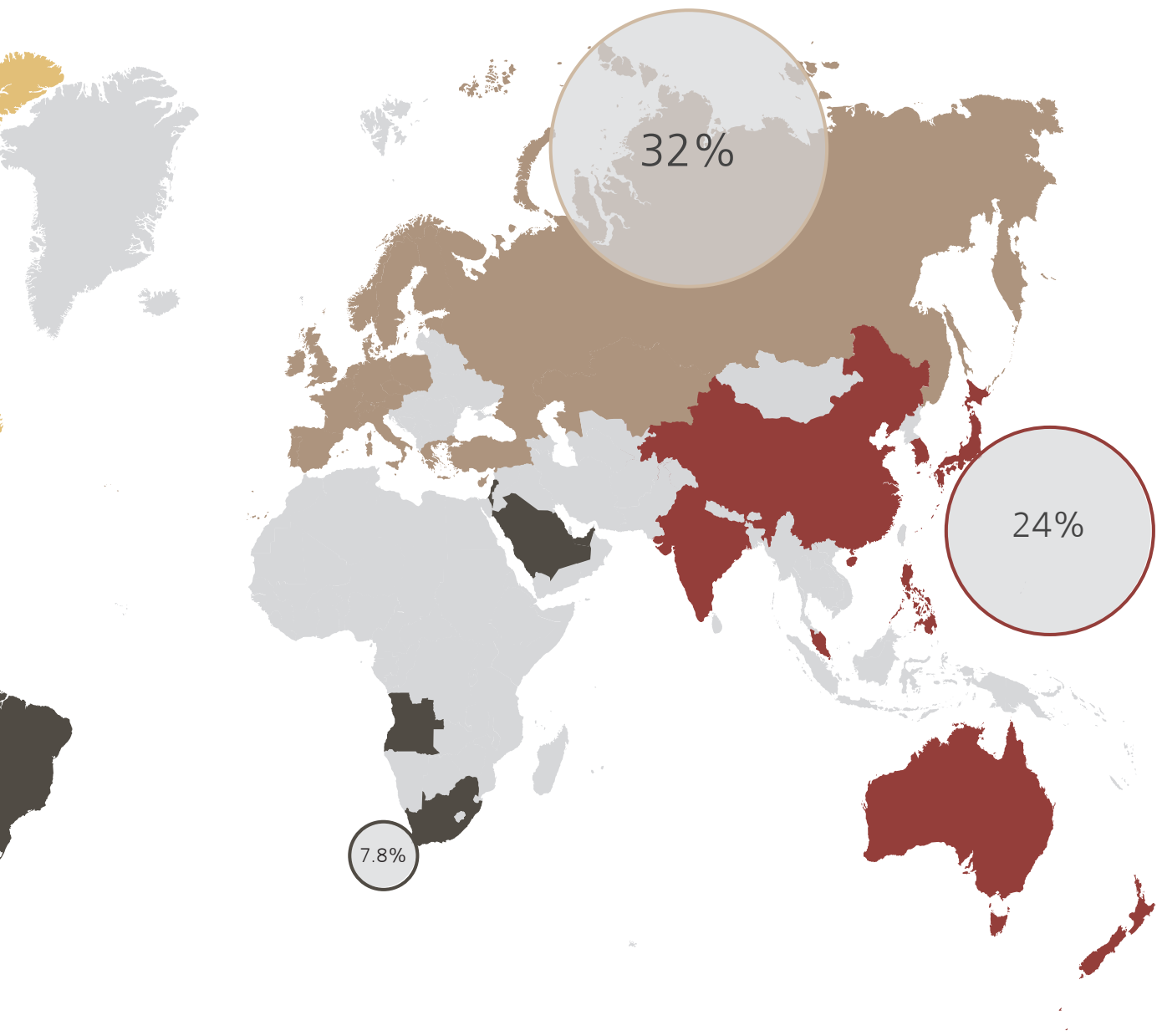
Source: The UBS / Campden Wealth Global Family Office Survey 2019
Note: Figures may not sum to 100% due to rounding

Figure 1.2
Regional market breakdown of the core family office

In relation to where the family offices were headquartered, 36% were based in North America, 32% in Europe, 24% in Asia-Pacific, and 7.8% in the Emerging Markets of South America, Africa, and the Middle East (figure 1.2).



■ North America
Bermuda, Canada, United States



■ Emerging Markets

Angola, Bahrain, Brazil, Cayman Islands, Chile, Colombia, Israel, Lebanon, Saudi Arabia, South Africa, United Arab Emirates, Venezuela

■ Europe

Austria, Belgium, Cyprus, Czech Republic, Estonia, Finland, France, Germany, Gibraltar, Greece, Ireland, Isle of Man, Italy, Luxembourg, Malta, Monaco, Netherlands, Norway, Poland, Portugal, Russia, Spain, Sweden, Switzerland, Turkey, United Kingdom

■ Asia-Pacific

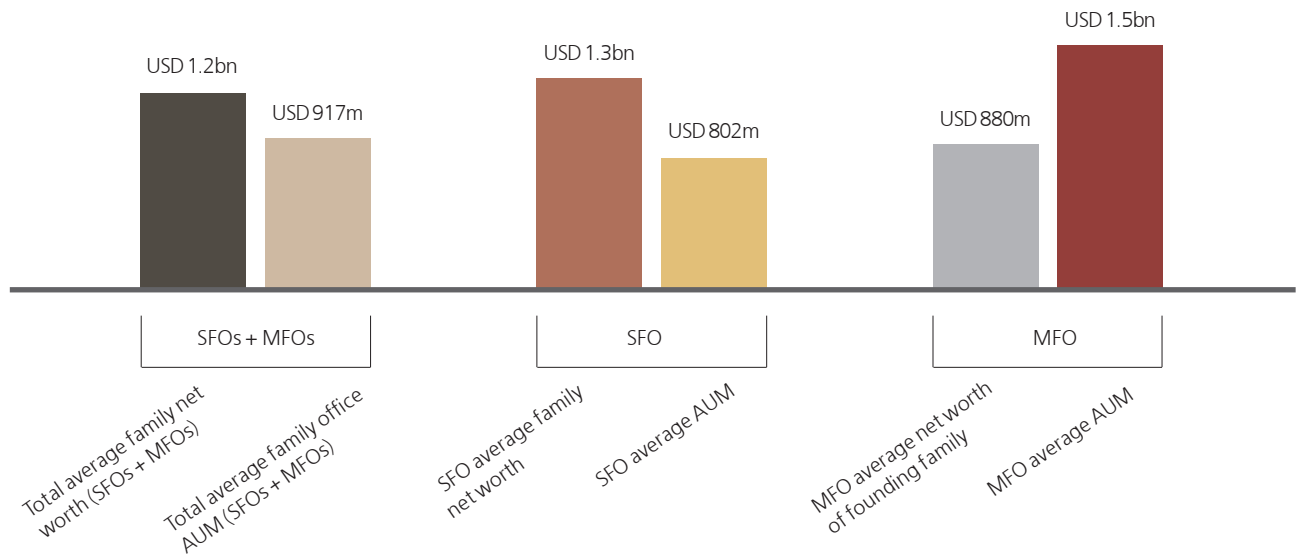
Australia, China, Hong Kong, India, Japan, Malaysia, New Zealand, Philippines, Singapore, South Korea

Average family wealth USD 1.2 billion, average AUM USD 917 million

The average family wealth of those surveyed for this report stands at USD 1.2 billion, while the average family office has USD 917 million in AUM. The figures for those with a single family office are USD 1.3 billion in family wealth and USD 802 million in AUM, and for multi-family offices USD 880 million in wealth and USD 1.5 billion in AUM (figure 1.3).

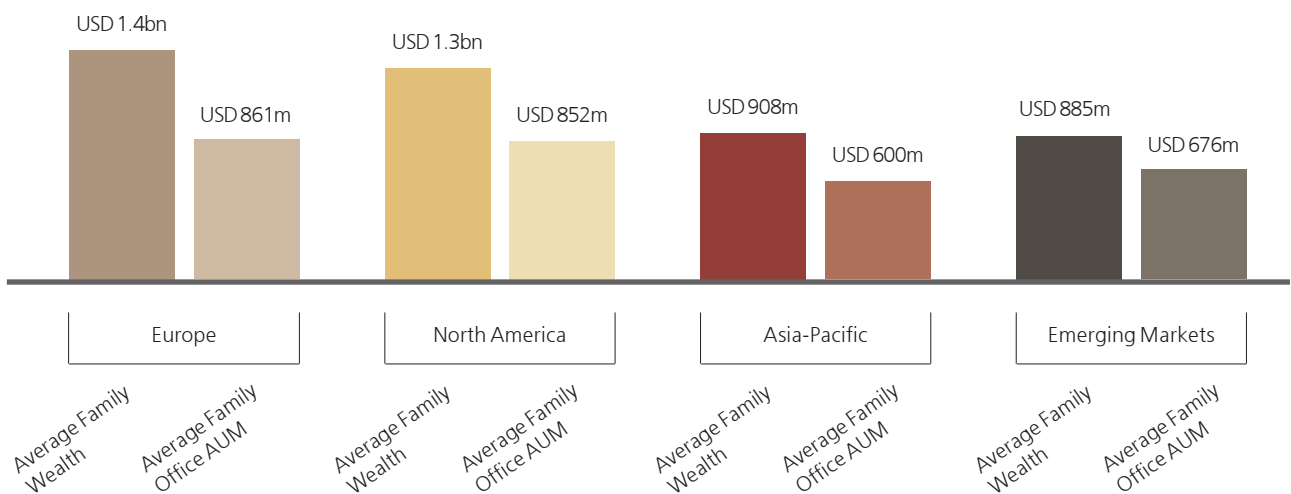
In relation to single family offices, from a regional perspective, the average family wealth in Europe stands at USD 1.4 billion, while the average family office AUM is USD 861 million. In North America it is USD 1.3 billion for family wealth and USD 852 million for AUM. Asia-Pacific's averages are USD 908 million and USD 600 million, while the Emerging Markets are USD 885 million and USD 676 million, respectively (figure 1.4).

Figure 1.3
Total family office, SFO, and MFO average AUM and average family wealth (USD), 2019



Source: The UBS / Campden Wealth Global Family Office Survey 2019

Figure 1.4
Average single family wealth and family office AUM, by region (USD), 2019

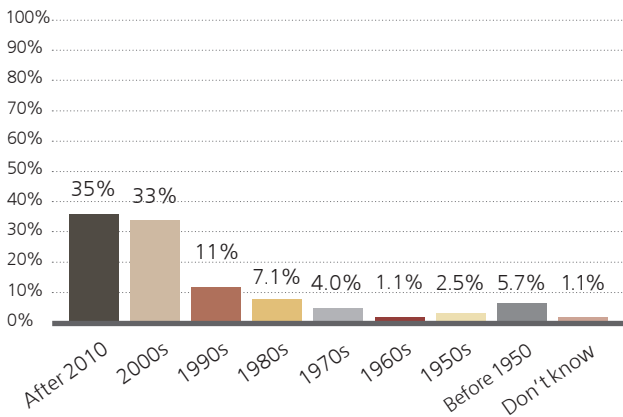


Source: The UBS / Campden Wealth Global Family Office Survey 2019

The surge in family offices came after the millennium

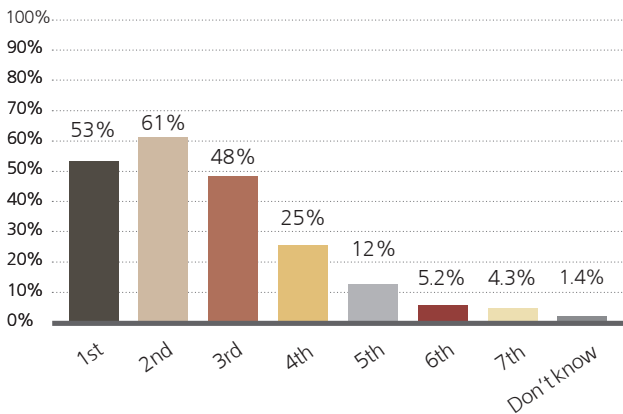
Reflecting the more recent expansion of the family office space, 68% of the family offices surveyed were founded in 2000 or later, while over half serve the first (53%) and second (61%) generations (figures 1.5 / 1.6).

Figure 1.5
Decade the family office was formed



Source: The UBS / Campden Wealth Global Family Office Survey 2019

Figure 1.6
Generations served by the family office



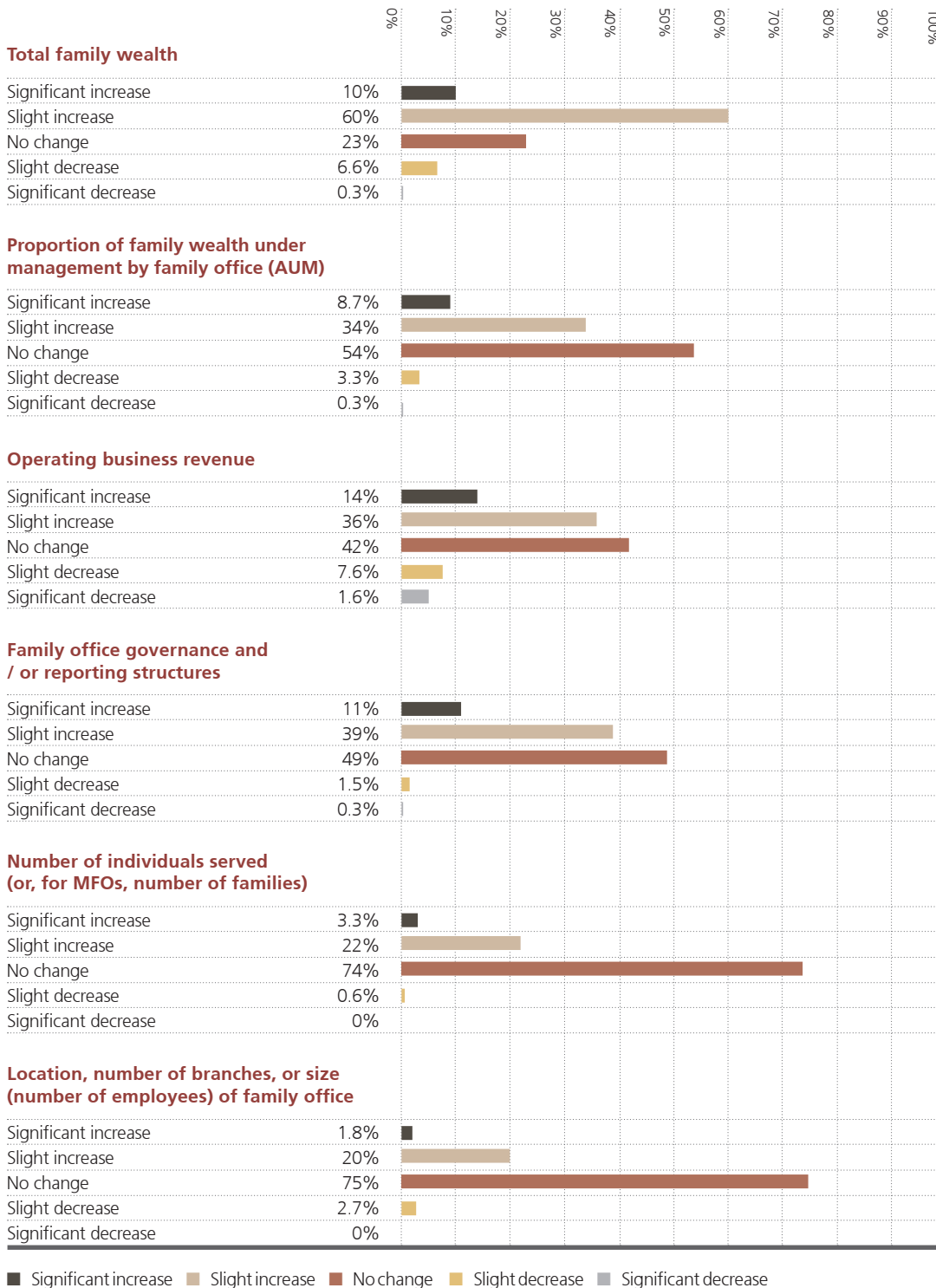
Source: The UBS / Campden Wealth Global Family Office Survey 2019
Note: Figures may not sum to 100% because respondents can select multiple options

7 in 10 report rising wealth levels

Echoing the findings from previous years, the bulk of family office executives reported that family wealth increased over the past year (70%), along with operating business revenue (50%), family wealth under management by the family office (43%), the

number of individuals the family office serves (or, for multi-family offices, number of families) (25%), and the degree of governance and / or reporting structures in place (50%). This suggests a greater sophistication in the operation of family offices (figure 1.7).

Figure 1.7
Changes since 2018

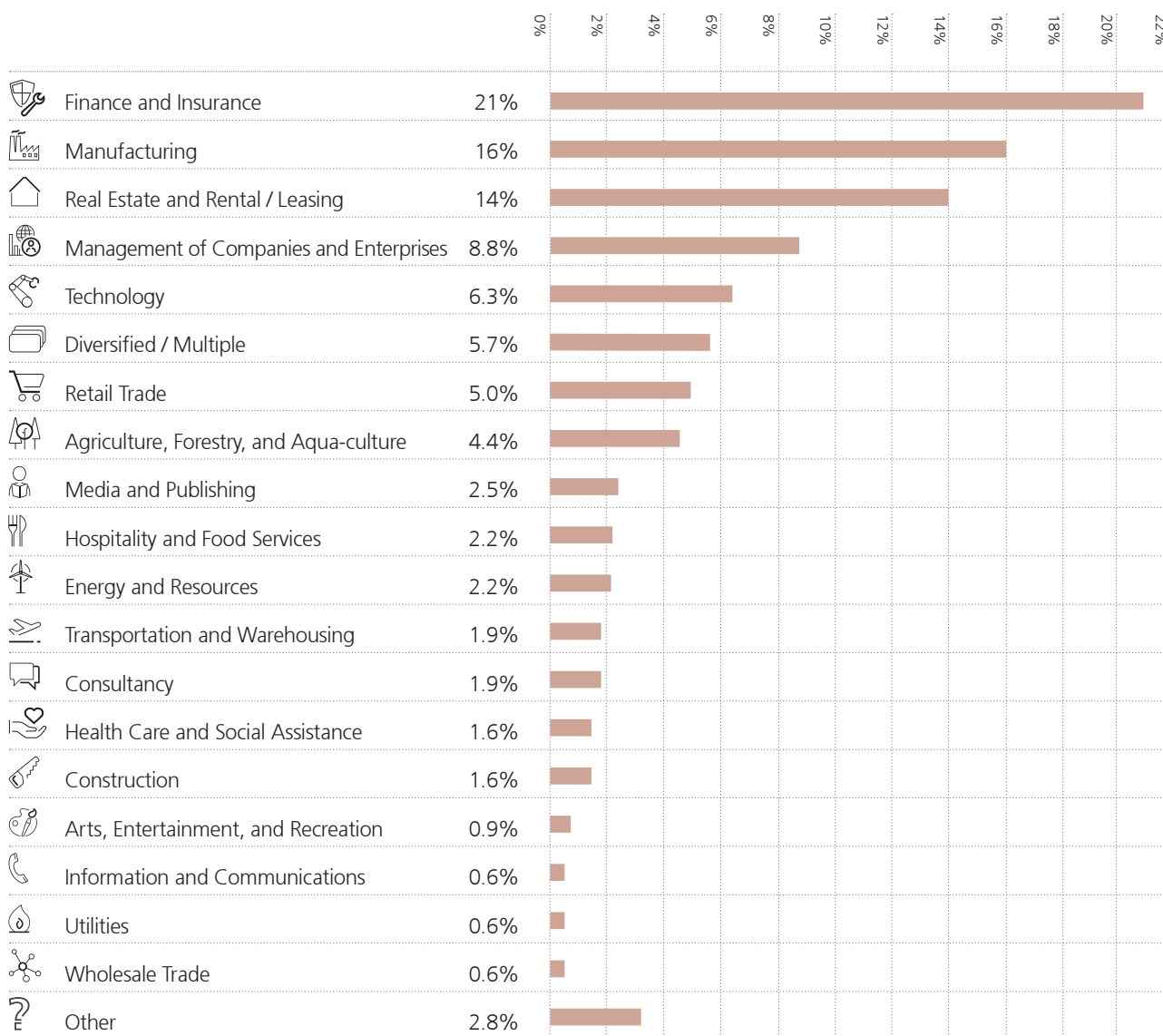


Source: The UBS / Campden Wealth Global Family Office Survey 2019
Note: Figures may not total 100% due to rounding

Finance and insurance is the most common operating business sector

The primary industries in which the families generated their wealth were finance and insurance (21%), manufacturing (16%), and real estate (14%) (figure 1.8).

Figure 1.8
Primary industry of the operating business



Source: The UBS / Campden Wealth Global Family Office Survey 2019
Note: Figures may not sum to 100% due to rounding

2. Family Offices Investments

2.1 Family Office Allocations

- Investment Strategy
- Asset Allocation and Year-on-Year Changes
- Expected Allocations for 2020
- Preparing for the Future
- Portfolio Leverage

2.2 Family Office Asset Class Focus

- Private Equity
- Real Estate
- Sustainable Investing
- Impact Investing

2.3 Family Office Performance

2.1 Family Offices Allocations

Key survey findings:

- Global equities and private equity continue to constitute the top asset classes family offices invest in, with portfolio shares of 32% and 19%, respectively. However, allocations to these assets classes have remained relatively constant with dips in allocations to developed market equities (-1.2 percentage points) and direct private equity (-0.4 percentage points), and no change to developing market equities. Family offices modestly raised allocations to private equity funds (+0.7 percentage points).
- Real estate experienced the most significant lift in allocations, rising 2.1 percentage points to account for 17% of the average family office portfolio. Meanwhile, family offices continue to trim their hedge fund exposure, with this asset class now accounting for 4.5% of the average portfolio.
- Going forward, family offices aim to further diversify their portfolios, with significant numbers reporting that they are planning to make larger allocations to developing market equities, private equity, and real estate.
- Over half (55%) of family offices believe that we will enter a recession by 2020 and many of them are getting prepared. Just under half are realigning their investment strategies to mitigate risk (45%), increasing their cash reserves (42%), and / or preparing to capitalise on opportunistic investments (42%).

Investment Strategy

Data analysis presented in this chapter summarises family offices' investment strategies and portfolio allocations at the time of data collection, between February and May 2019.

Family offices are moving towards balanced portfolios

Year-on-year, we report that it is most common for family offices to embrace a balanced, preservation plus growth, oriented investment strategy. 2019 is no different, with 56% of respondents opting for a balanced approach. This strategy is often favoured because whilst family offices have the acumen, capital, and desire to take advantage of higher risk investments, they also usually want their wealth to be preserved throughout the generations.

Not all family offices fit this mould though as nearly a fifth (19%) have embraced a preservationist strategy, while a quarter (25%) have pursued growth.

"We have diversified – we now focus more on growth and less on preservation. We're taking risks in several assets."

– Director, Single Family Office, Emerging Markets

"We look at our strategy on a quarterly basis. As a small family office, we are pretty nimble and agile, and, of course, we are correcting regularly."

– Family Member, Single Family Office, North America

There are notable differences in strategy across regions, but not in AUM bands

Comparisons across regions show notable variations amongst investment strategies pursued by family offices around the world. In North America, there is a strong preference for growth-oriented investment strategies (31%) over preservation (13%) (figure 2.1). In the words of one family office executive:

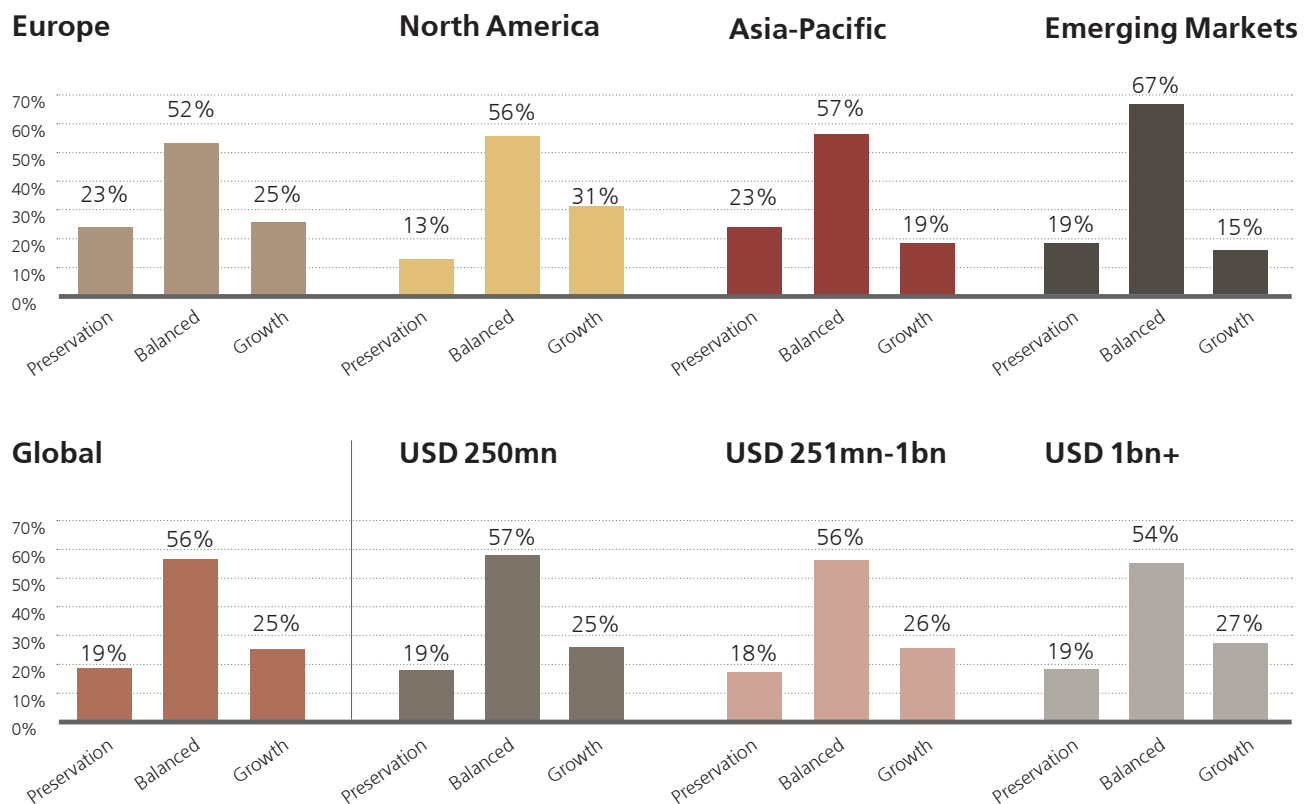
"A lot of money has been changing over to younger hands – and the next generation has a longer investment horizon and also a bit more risk appetite than the older generation."

– Portfolio Analyst, Multi-Family Office, North America

In contrast to North America, balanced portfolios are especially popular in Emerging Markets (67%), and preservation (19%) is more prevalent than growth (15%). Asia-Pacific also shows a predominance of balanced approaches (57%), alongside a preference for preservation (23%) over growth (19%).

Meanwhile, there is little variation when comparing family offices across AUM bands <USD 250 million, USD 251 million - 1 billion, and USD 1 billion+ (figure 2.1).

Figure 2.1
Investment strategy by region and AUM



Source: The UBS / Campden Wealth Global Family Office Survey 2019
Note: Figures may not sum to 100% due to rounding

Asset Allocation and Year-on-Year Changes

Asset allocation has shown little change

Putting aside the aforementioned current investment strategies, investment patterns remained relatively consistent between 2018 and 2019 off the heels of high performance returns reported in last year's Global Family Office Report.

Global equities account for almost one-third of the average family office portfolio

Global equities continue to constitute the top asset class in which family offices invest, amounting to 32% of the average family office portfolio, down a minor 1.2 percentage points from 2018 (figures 2.2 / 2.3). With average allocations of 25% and 7.4%, respectively, developed market stocks totalled more than three times developing market stocks. With that said, many family offices invest in both developed and developing markets. In the words of one family office executive:

"We invest globally for obvious reasons, diversification and attractive yields."

– Managing Partner, Single Family Office, North America

Across regions, family offices in North America, who tended to prefer growth over preservation, allocated the most to global equities (38%), while those in the Emerging Markets allocated the least (19%). Meanwhile, Asia-Pacific and the Emerging Markets tended to allocate relatively more to developing market equities, with allocations of 14% and 6.9%, respectively – compared with those in Europe, who allocated 5.2% to this asset class (figure 2.4).

It is, however, worth noting the interconnectedness of developing and developed markets:

"We're focused on high quality growth companies in developed markets as opposed to emerging markets, though the actual earnings of these companies will themselves have very significant exposure to emerging markets."

– Partner, Multi-Family Office, Europe

In terms of AUM bands, the family offices managing more than USD 1 billion allocated the greatest portfolio share to equities as a whole, 38%, compared with 29% for those managing under USD 250 million (figure 2.4).

Alternatives account for over 40% of the average portfolio

The extended period of low interest rates and heightened volatility has sparked an intense search for yield and drive for diversification, and led investors to increase their allocations to alternatives. Over 40% of the average family office portfolio is invested in alternative investments – up a marginal 1.4 percentage points from last year.

Family offices continue to allocate sizeable shares of their portfolios to private equity – the second largest asset class, which, over the long-term, has performed comparatively well and tended to be less volatile than other asset classes – and which families and the next generation in particular tend to be enthusiastic about.

Private equity constitutes 19% of the average family office portfolio, up a marginal 0.3 percentage points from 2018. This reflects slightly greater investment into private equity funds (+0.7 percentage points) against

a minor reduction in investment in direct private equity (-0.4 percentage points). In regards to private equity, family office executives commented:

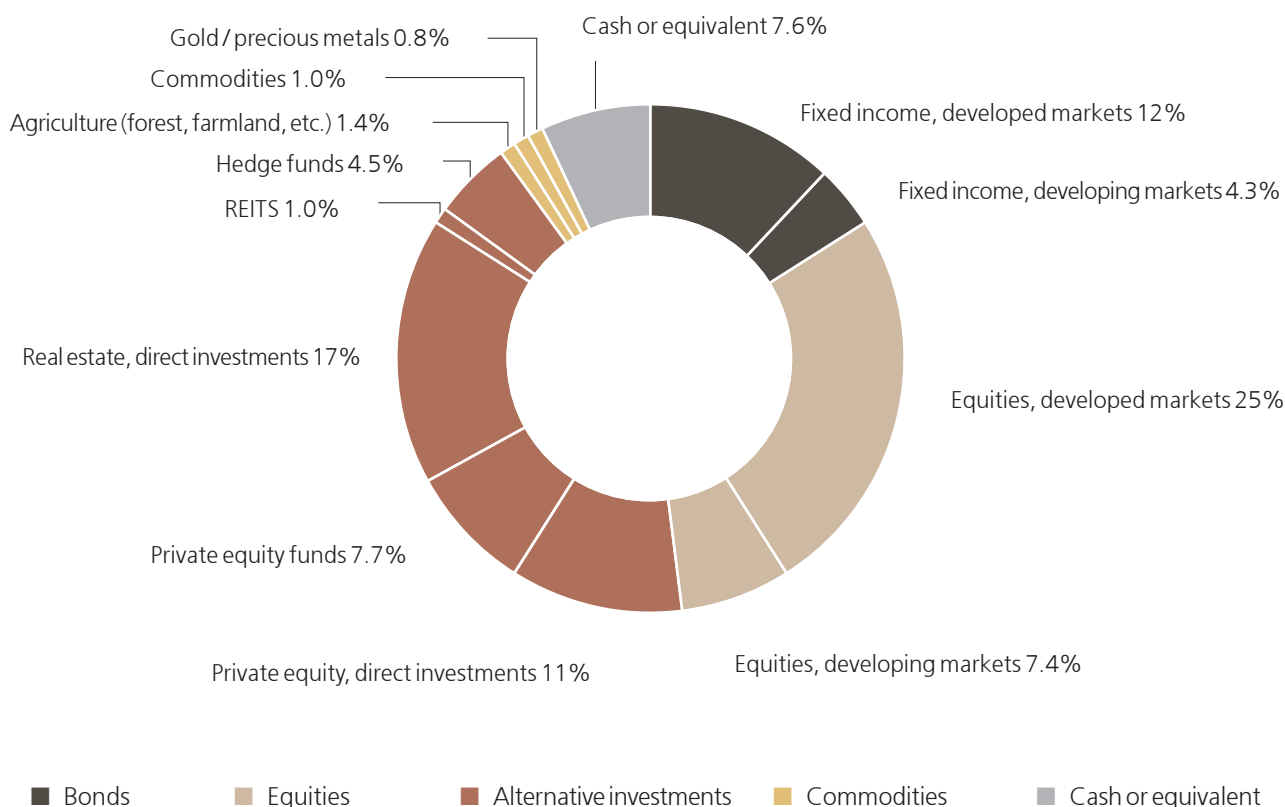
“Right now, we just do not have a lot of trust in things apart from bonds and the private industry that we have control over.”

– Family Member and Founder, Single Family Office, North America

“Over the last 10 years I have seen a sharp reduction in allocations to hedge fund and private equity managers, and a sharp increase in private equity direct deals. Firstly, in Asia, we hate paying 2 and 20. Secondly, it is one thing if you pay the high fees and they deliver. It is another if you pay the high fees and they don’t deliver. Thirdly, the market is very frothy in private equity and investors are nervous. Finally, when you are meeting hedge fund or private equity managers, most of the time you are learning nothing. But, when you have a direct deal on your hands, you are meeting the entrepreneur, the salesman - you are learning about the business, the finances.”

– Director, Multi-Family Office, Asia-Pacific

Figure 2.2
Current approximate strategic asset allocation



Source: The UBS / Campden Wealth Global Family Office Survey 2019

Real estate gained the greatest traction this year

Direct investment in real estate – which enables family offices to diversify their risk – also continues to represent a key part of the average family office portfolio.

Following a positive performance reported last year, real estate gained the greatest traction this year, with allocations rising 2.1 percentage points to total 17% of the average portfolio. These figures, once again, cement it as the third largest asset class family offices invest in (figure 2.3 / 2.4).

In terms of AUM bands, the family offices which manage under USD 250 million allocated the greatest portfolio share to real estate, 20%, compared with 12% for those managing over USD 1 billion (figure 2.4).

Family offices continue to divest from hedge funds

For the fifth year in a row, allocations to hedge funds dropped, this last year falling 0.7 percentage points to 4.5% of the average family office portfolio (figures 2.2 / 2.3). Family offices have doubts about hedge funds' ability to protect wealth during economic downturns, and they dislike what some deem to be relatively high fees when compared to performance. In interviews, family offices reiterated this sentiment:

“Our allocations to hedge funds have been getting lower and lower because the fees haven't really made sense when you're looking at performance.”

– Portfolio Analyst, Multi-Family Office, North America

“I'm not a huge fan of hedge funds. I like a lot more visibility into what's going on, but we look at everything – we're pretty well diversified.”

– Family Member, Single Family Office, North America

Family offices in North America are the keenest on hedge funds, with an average portfolio allocation of 6.0% – compared with those in Asia-Pacific, who allocated just 2.9% to this asset class (figure 2.4).

Figure 2.3
Year-on-year change in asset class allocation, 2018-2019

	Year-on-year change (pp)
Fixed income	
Fixed income – developed markets	▼ -0.7 pp
Fixed income – developing markets	▲ 0.1 pp
Equities	
Equities – developed markets	▼ -1.2 pp
Equities – developing markets	0.0 pp
Alternative investments	
Private equity – direct investment	▼ -0.4 pp
Private equity funds	▲ 0.7 pp
Real estate – direct investments	▲ 2.1 pp
REITS	▼ -0.3 pp
Hedge funds	▼ -0.7 pp
Commodities	
Agriculture (forest, farmland etc)	▼ -0.1 pp
Gold / precious metals	0.0 pp
Other Commodities	▼ -0.1 pp
Cash or cash equivalent	▲ 0.7 pp

Source: The UBS / Campden Wealth Global Family Office Survey 2019

Figure 2.4

Allocation by asset class, region, investment strategy, and AUM (USD)

Asset class	Total	Region				Strategy			AUM USD		
		Europe	N. America	APAC	Emerging Markets	Preservation	Balanced	Growth	<250m	251m-1bn	>1bn
Fixed income	16%	15%	14%	20%	23%	22%	17%	9.6%	15%	18%	14%
Fixed income – developed markets	12%	12%	13%	9.6%	13%	18%	13%	6.4%	10%	14%	11%
Fixed income – developing markets	4.3%	2.4%	1.0%	11%	10%	4.4%	4.8%	3.2%	5.3%	3.6%	3.3%
Equities	32%	32%	38%	28%	19%	30%	34%	30%	29%	32%	38%
Equities - developed markets	25%	27%	32%	14%	12%	26%	25%	24%	23%	25%	29%
Equities - developing markets	7.4%	5.2%	5.8%	14%	6.9%	4.7%	8.4%	6.5%	5.7%	7.0%	10%
Private Equity	19%	20%	19%	16%	17%	12%	16%	28%	20%	18%	20%
Private equity – direct investments	11%	13%	9.5%	10%	11%	6.9%	7.7%	21%	13%	11%	11%
Private equity funds	7.7%	7.5%	9.7%	5.2%	6.6%	5.5%	8.7%	7.0%	7.1%	7.5%	10%
Other alternatives	22%	23%	21%	22%	25%	21%	22%	23%	25%	21%	18%
Real estate – direct investments	17%	19%	14%	17%	19%	17%	16%	18%	20%	14%	12%
REITS	1.0%	0.4%	1.3%	1.5%	1.3%	0.6%	1.3%	0.6%	0.9%	0.8%	1.7%
Hedge funds	4.5%	3.7%	6.0%	2.9%	4.8%	3.6%	4.9%	4.2%	3.6%	5.4%	4.6%
Commodities	3.2%	2.6%	2.3%	5.2%	4.7%	5.2%	2.9%	2.7%	3.1%	3.0%	3.1%
Agriculture (forest, farmland etc)	1.4%	1.1%	1.2%	1.5%	3.0%	1.1%	1.6%	1.2%	1.4%	1.4%	1.3%
Gold / precious metals	0.8%	0.9%	0.1%	1.4%	1.1%	1.5%	0.7%	0.4%	0.5%	1.0%	1.0%
Other Commodities	1.0%	0.5%	0.9%	2.3%	0.6%	2.6%	0.6%	1.1%	1.3%	0.7%	0.9%
Cash or equivalent	7.6%	7.7%	5.9%	8.9%	12%	8.5%	7.8%	6.7%	7.9%	8.2%	6.0%

Source: The UBS / Campden Wealth Global Family Office Survey 2019

Note: Figures may not sum to 100% due to rounding

Expected Allocations for 2020

The family offices surveyed are turning to alternatives and developing market equities

In the context of continued heightened uncertainty about rates and returns, a number of family offices reported they are planning to continue their move towards alternatives and more hands-on approaches for next year.

In net terms (i.e. the difference between the number of family offices that plan to increase versus decrease their allocations), 39% plan to invest more in direct private equity, 28% more into private equity funds, and 16% more into real estate (figure 2.5).

A notable proportion is also planning to add capital to developing market equities (29%). The long-term trend towards market liberalisation is a factor. Meanwhile, it was an especially difficult year for developing market

stocks in terms of performance. Many investors report they find the longer-term fundamentals compelling and are willing to look through short-term volatility. In China, for instance, competition is intensifying and the state is acting to stimulate the economy and the markets.

In terms of allocation decreases, more family offices plan to decrease their allocations to developed market equities (-7.7%), 'other commodities' (-5.8%), and cash / or equivalent (-4.0%).

"We are going to invest in small and medium-sized enterprises (SMEs) in our home country where we think we can add value and where we believe growth will be the greatest in the coming years."

– Director, Single Family Office, Emerging Markets

"We're experts at being generalists, therefore we want to find the best investments in each asset class and team up with the best partners across the board."

– Portfolio Analyst, Multi-Family Office, North America

Figure 2.5
Proportion of family offices that expect to change their allocations for 2020

	▲ Increase	▼ Decrease	Keep the same	Difference
Bonds				
Fixed income – developed markets	25%	17%	58%	+7.6%
Fixed income – developing markets	19%	13%	67%	+5.6%
Equities				
Equities - developed markets	22%	30%	47%	-7.7%
Equities - developing markets	36%	7.3%	57%	+29%
Alternative investments				
Private equity – direct investments	46%	6.5%	48%	+39%
Private equity funds	42%	14%	44%	+28%
Real estate – direct investments	34%	18%	48%	+16%
REITS	16%	8.2%	75%	+8.2%
Hedge funds	21%	21%	59%	0%
Commodities				
Agriculture (e.g. forest, farmland etc)	14%	4.4%	81%	+10%
Other commodities	7.0%	13%	80%	-5.8%
Gold / precious metals	17%	5.3%	78%	+12%
Cash or cash equivalent				
	26%	30%	45%	-4.0%

Source: The UBS / Campden Wealth Global Family Office Survey 2019
Note: Figures may not sum to 100% due to rounding

Preparing for the Future

Nearly half of family offices are preparing for a recession

“We are very cautious, even now with the market we don’t feel very comfortable.”

– Managing Partner, Multi-Family Office, North America

Looking forward, 55% of family offices believe that we will experience an economic downturn by 2020. In the words of two family office executives with differing perspectives:

“Who knows what will happen with Brexit, what will happen in the EU, and what will happen between the US and China. There are so many open questions, and this could have a dramatic impact on the market. In general, we think we have reached our peak.”

– Chief Executive Officer, Single Family Office, Europe

“We are late in the cycle. However, this stage could go on for a while, so I would be very surprised to see a meaningful recession in the next year or two.”

– Chief Investment Officer, Single Family Office, North America

In preparation for a potential recession, just under half of family offices are reportedly realigning their investment strategies to mitigate risk (45%), increasing their cash reserves (42%), and / or preparing to capitalise on opportunistic events (42%) (figure 2.6). Another 22% are reducing their investment leverage exposure. One family member from North America who believed that a crash might occur within the next two years explained:

“We have been getting out of equities and putting money into bonds and real estate. We are also putting money aside to make purchases if there is a crash.”

– Family Member, Single Family Office, North America

Another executive challenged this approach by commenting:

“I know a lot of people in late 2016, early 2017 who made decisions based on a belief that an economic downturn was imminent. As a result, they missed out on 20% growth in the equity market over that period.”

– Family Member, Single Family Office, North America

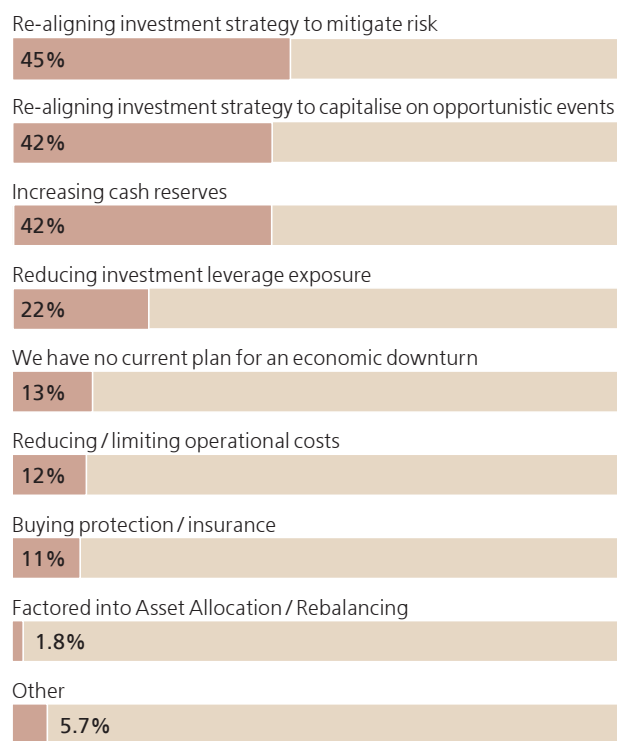
Still others had investment strategies which were relatively less concerned with short-term market volatility and more concerned with a long-term investment outlook:

“We are long-term investors. All of our families have an investment outlook of between 10 and 15 years. In turn, we don’t look at short-term turbulence in markets.”

– Family Member, Single Family Office, North America

Figure 2.6

Preparation for the next downturn in the economic cycle



Source: The UBS / Campden Wealth Global Family Office Survey 2019

Portfolio Leverage

Following on from the above, the forthcoming section looks at family offices’ borrowing habits, along with the leverage they apply to their portfolios.

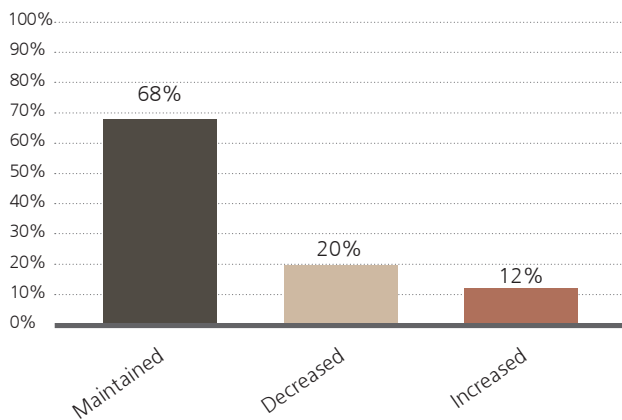
A fifth of family offices have reduced their borrowing

In terms of borrowing, 20% of family offices have reduced their level of borrowing over the last year, while 12% have raised their borrowing, with the core explanations for change being to embrace tactical opportunities (26%) and reduce aggregate market exposure (23%) (figures 2.7 / 2.8).

The average portfolio leverage is 14%

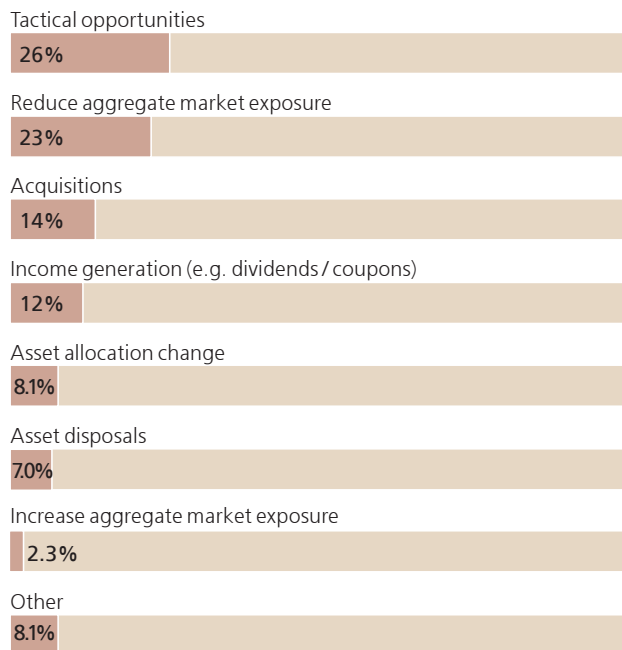
For the average family office, the overall leverage applied to the portfolio has decreased from 17% in 2018 to 14% this year, and, in 12 months’ time, the target is 13% (figure 2.9).

Figure 2.7
Family offices' change in borrowing over the last 12 months



Source: The UBS / Campden Wealth Global Family Office Survey 2019

Figure 2.8
The reasons for changes in borrowing levels



Source: The UBS / Campden Wealth Global Family Office Survey 2019
Note: Figures may not sum to 100% due to rounding

Figure 2.9
Average leverage applied to family office portfolios

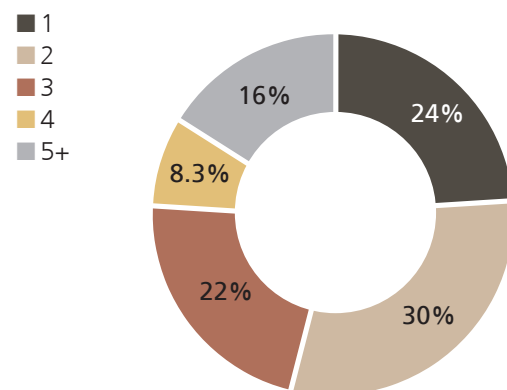


Source: The UBS / Campden Wealth Global Family Office Survey 2019

Three-quarters maintain lending facilities with between 1 and 3 banks

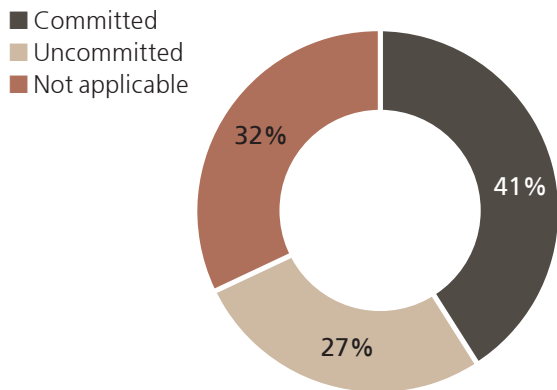
Family offices most commonly maintain lending facilities with one (24%), two (30%) or three (22%) banks, and these lending facilities are predominantly committed (41%) (figures 2.10/2.11). The most important factors family offices consider when putting in place a financing facility are: cost, which 49% identified as the most important factor; loan to value (20%), and the flexibility of the facility (11%) (figure 2.12).

Figure 2.10
Number of banks family offices maintain lending facilities with



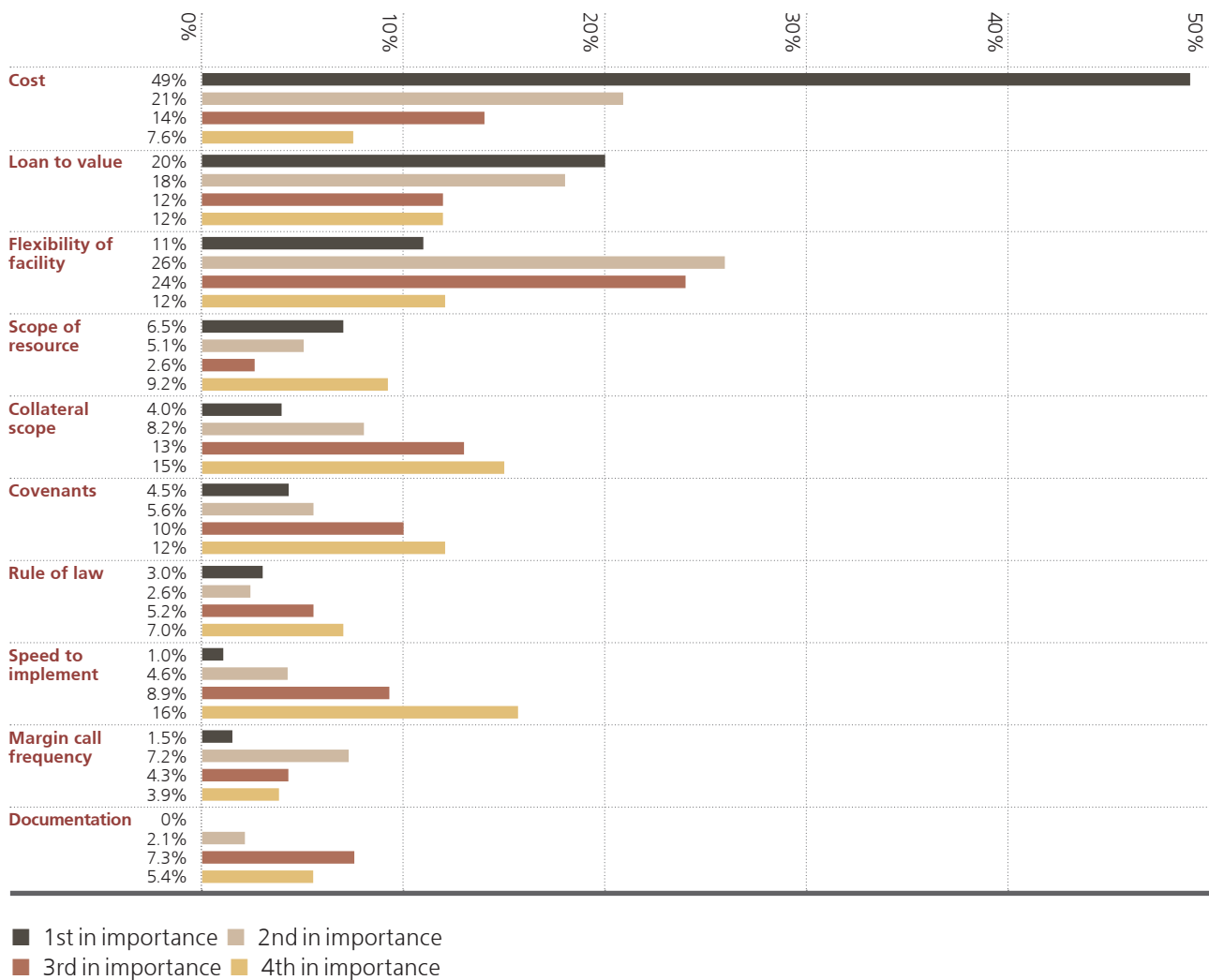
Source: The UBS / Campden Wealth Global Family Office Survey 2019
Note: Figures may not sum to 100% due to rounding

Figure 2.11
Whether the lending facilities are committed or uncommitted



Source: The UBS / Campden Wealth Global Family Office Survey 2019

Figure 2.12
The most important factors family offices consider when putting in place a financing facility



Source: The UBS / Campden Wealth Global Family Office Survey 2019

Preparing for the next economic downturn

Interview with a multi-family office in North America

There is a growing concern amongst family offices regarding the possibility of a recession in the near term. In preparation, they are repositioning themselves.

In numerous interviews carried out for this report, family offices expressed concern about the age of this economic expansion. We asked a portfolio manager at a multi-family office in North America about the risks and the strategies the families he advises are adopting in preparation.

Why have you been investing less in hedge funds?

Over the last eight years, you could make a return by throwing darts compared to today. Now, it's getting very challenging and, in our opinion, it will get worse going forward.

Where are we heading?

Volatility will increase in the next year or two. Our view is that there is a potential recession within the next two, two-and-a-half years. I personally see it coming even sooner, and I think things are going to turn ugly.

Where is the risk?

I personally see the crisis adopting the form of a 'flash crash'. In the beginning, it starts with things going

only relatively badly, like last December; but, then, you see trading algorithms respond and it becomes a self-fulfilling prophecy. These scenarios can become ugly really quickly and I think we will face a deep fall. However, I see the crisis being short-lived, and we will bounce back relatively quickly, with investors buying and propping the markets up.

How are you preparing for this scenario?

We've been cutting exposure to equities over the last three or four months, especially for those clients who were very concerned last December. If the client, for example, wanted to have between 15% and 40% in equities, we are now lowering it to half of that, to the middle of where they would like to be.

Regarding geographic exposure, we are seeing clients trying to keep their money outside equities in developing markets, as they have a country risk component attached to them. This includes clients with operating businesses in these markets. If they are going to have exposure there, it's through their operating businesses and not via the family office. The operating business is usually seen as a vehicle for growth and therefore they are more willing to take a risk there; whereas the family office is seen as a vehicle for preservation.

In sum, we think that the market will experience high volatility; therefore, we consider that it makes sense to start taking some risk off the table.

2.2 Family Office Asset Class Focus

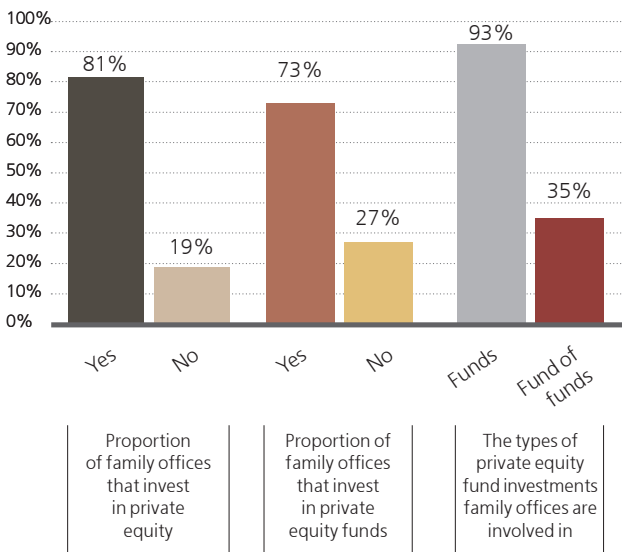
“One thing that is great about private equity is that the governance structures are just superiors.”
 – Chief Investment Officer, Single Family Office, North America

Private Equity

Over four-fifths of family offices invest in private equity

Private equity remains a popular asset class, with 81% of family offices currently investing in this arena and allocating, on average, 19% of their portfolios to it (figure 2.13). 73% invest in private equity funds in particular, and within this cohort 93% invest in funds and 35% in fund of funds.

Figure 2.13
 Family offices' investment in private equity, by type



Source: The UBS / Campden Wealth Global Family Office Survey 2019
 Note: Figures may not sum to 100% because respondents can select multiple options

On opportunities in private equity secondaries, the Chief Investment Officer (CIO) of a single family office in North America noted:

“Conventional wisdom back in ‘09, ‘10, ‘11 was that private equity secondaries was an interesting trade in that it was part of a clean-up process from the financial crisis. Yet, it has turned into a real business with staying power, and institutions are interested in selling all the time. So there’s a lot of secondary opportunities out there for private investors and so even with a ten-year span, which is probably even short-term, it’s become a real asset class.”
 – Chief Investment Officer, Single Family Office, North America

Direct investments are more attractive than funds

Direct investing offers family offices greater control. It appeals to entrepreneurial families and the next generation who want to be more hands-on, and it can also reduce fees. Hence, family offices’ portfolios tend to lean more towards direct investing, with 11% of the average family office portfolio being put towards direct investing and 7.7% towards private equity funds (figure 2.2).

Within the average private equity portfolio, 54% of investments are direct, with investors being either active managers (32%) or passive shareholders (22%), and 47% are funds based, with 14% being fund of funds (figure 2.14). In the experience of two family office executives:

“We haven’t had any interest at all in getting involved in the fund of funds private equity model in the US as we don’t see a value in it.”
 – Family Member, Single Family Office, North America

“We like direct investing, but we have not been able to deploy bigger dollars there. It is easier at a fund level to commit bigger sums. We have had to negotiate our way into direct deals.”
 – Chief Investment Officer, Single Family Office, North America

Private equity performed as or better than expected

The different private equity investment vehicles delivered, on average, returns of between 8.6% and 16% – with fund of funds at the lower end and direct (active) at the upper end, providing a 3.0% premium to direct (passive). For the vast majority of family offices (between 79% and 88%), each of the vehicles delivered returns which either met or exceeded expectations – with fund investments causing the least disappointment (for 13%, these under-performed) and direct (passive) causing the most disappointment (21%) (figure 2.14).

Comparing across regions, actively managed direct investments were the most likely to meet (57%) or out-perform (29%) expectations in the Emerging Markets, while passive shareholder investments met (73%) or outstripped (13%) expectations most often in Asia-Pacific.

On the funds front, once again, Asia-Pacific's performance most likely met or exceeded expectations for both private equity funds (91% combined) and fund of funds (89%) (figure 2.15).

Figure 2.14

Breakdown of private equity portfolio, how those investments performed, and family offices' average returns over the last 12 months

	Percentage Breakdown	Out-performed expectations	Met expectations	Under-performed expectations	Annual return
Private equity investment					
Private equity funds	33%	13%	75%	13%	12%
Private equity fund of funds	14%	14%	71%	15%	8.6%
Directs - active management role	32%	27%	55%	19%	16%
Directs - passive shareholder role	22%	17%	62%	21%	13%

Source: The UBS / Campden Wealth Global Family Office Survey 2019

Note: Figures may not sum to 100% due to rounding. The sample of participants who responded to this question is somewhat different to those who responded to the questions in the performance chapter, therefore minor variations in performance may be present.

Figure 2.15

Private equity performance based on expectations

	North America	Europe	Asia-Pacific	Emerging Markets
Direct active management investment performance by expectations				
Out-performed	19%	28%	46%	29%
Met	65%	52%	31%	57%
Under-performed	16%	21%	23%	14%
Direct passive shareholder investment performance by expectations				
Out-performed	21%	17%	13%	14%
Met	59%	60%	73%	57%
Under-performed	21%	23%	13%	29%
Private equity funds' performance by expectations				
Out-performed	16%	10%	14%	0%
Met	70%	76%	77%	89%
Under-performed	14%	14%	9.1%	11%
Private equity fund of funds' performance by expectations				
Out-performed	18%	12%	11%	0%
Met	64%	76%	78%	80%
Under-performed	18%	12%	11%	20%

Source: The UBS / Campden Wealth Global Family Office Survey 2019

The appeal of growth and venture opportunities persists

In terms of the proportions of family offices that are involved in the different types of private equity investments, these have remained relatively stable – with the strongest appetites being for growth-oriented (70% of respondents) and venture-oriented (57%) opportunities (figure 2.16). Still, some family offices pointed out issues:

“The problem in venture – and this is a challenge for family offices – is that it’s very hard to figure out which venture funds are professionally managed with full-time

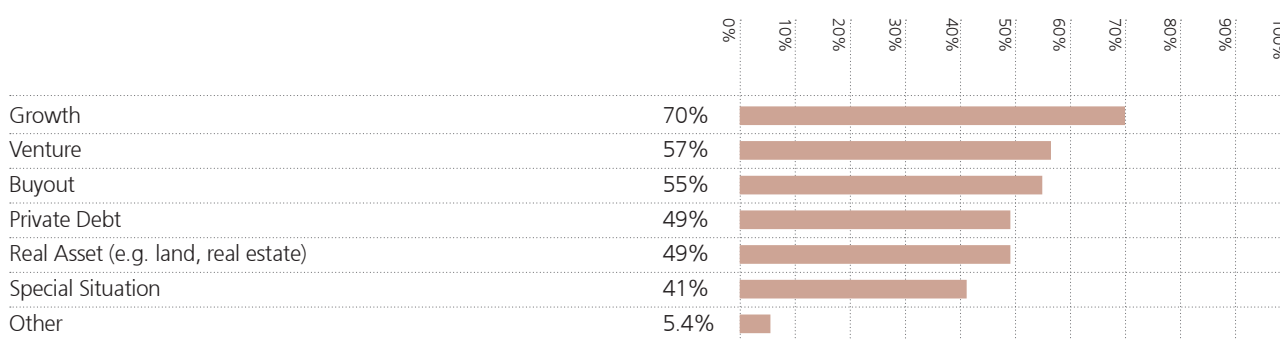
committed folk, versus people who are doing it as a hobby.”

– Founding Partner, Single Family Office, North America

Comparing across regions, Asia-Pacific is the most enthusiastic about venture and growth-oriented investments – with 66% of family offices in the region investing in the former and 77% investing in the latter. Europe opts for buyouts more than any other region (68%), and North America and the Emerging Markets focus most on private debt (55% each) (figure 2.17).

Figure 2.16

Proportion of family offices that are involved in the following types of private equity investments



Source: The UBS / Campden Wealth Global Family Office Survey 2019
Note: Figures may not sum to 100% because respondents can select multiple options

Figure 2.17

Proportion of family offices that are involved in the following types of private equity investments by region

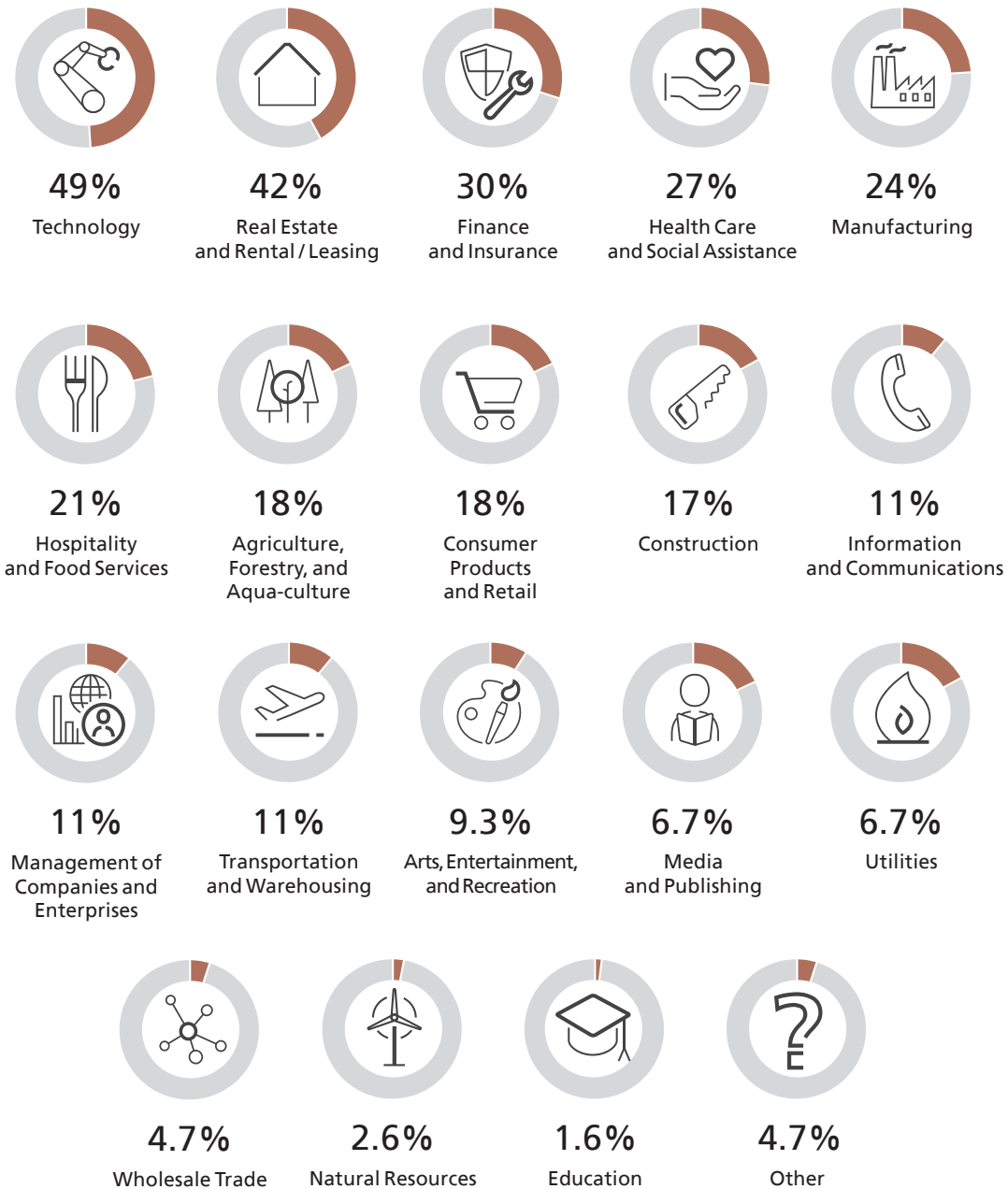
	Europe	North America	Asia-Pacific	Emerging Markets
Growth	73%	67%	77%	55%
Venture	50%	62%	66%	36%
Buyout	68%	53%	46%	45%
Private Debt	55%	52%	37%	55%
Real Asset (e.g. land, real estate)	45%	53%	40%	64%
Special Situation	32%	53%	34%	36%
Other	9.1%	1.7%	8.6%	0%

Source: The UBS / Campden Wealth Global Family Office Survey 2019
Note: Figures may not sum to 100% because respondents can select multiple options

Technology is the most favoured industry
 In terms of the industries in which family offices make direct investments, the following ranking remains relatively similar to last year, but technology is now the

most popular sector, with 49% of family offices investing in this industry, followed by real estate and rental/leasing (42%), and finance and insurance (30%) (figure 2.18).

Figure 2.18
 Industry of direct investments



Source: The UBS / Campden Wealth Global Family Office Survey 2019

Figure 2.19
Breakdown of direct investments' performance

	Percentage breakdown	Over-performed	Met	Under-performed	Annual return expectation
Co-investments	23%	12%	77%	12%	17%
Club deals	11%	16%	76%	7.9%	14%
Majority stake	37%	27%	56%	16%	16%
Minority stake	30%	19%	54%	26%	17%

Source: The UBS / Campden Wealth Global Family Office Survey 2019

Most surveyed opt for majority stakes in direct investing

The breakdown of direct investments across deal types also remains relatively stable, with most still opting for majority stakes (37%) (figure 2.19). Meanwhile, 30% opt for minority stakes, 23% co-investments, and 11% club deals.

The different deal types delivered similar returns (between 14% and 17%) – with club deals at the lower end of the range. Furthermore, for the vast majority of family offices (between 73% and 92%), each of the deal types delivered returns which either met or exceeded expectations – with club deals, interestingly, disappointing the fewest number of families.

“I encourage families to get closer to the assets they own. The best way is to align yourself with other families interested in avoiding agency risk, pool your capital within the appropriate governance framework, and create collaborative vehicles. Families should spend more time focusing on how they can disintermediate financial institutions – such as private equity and venture managers. There is plenty of talent out there to bring this work in-house. I think we are going to see a lot more of this.”

– Chief Investment Officer, Single Family Office, North America

invest in particular real estate being location, as noted by 70% of respondents, and costs (50%). Other key factors mentioned were that real estate in general provides a unique opportunity to invest directly (34%), it offers investors adequate levels of control (33%), and the ability to diversify their portfolios (30%) (figure 2.20). One respondent also highlighted the cash flow benefit that monthly rental income provides:

“When fixed income was yielding you near nothing and clients wanted cash yield for their portfolio, they would buy real estate. Near full occupancy rates would be able to provide a cash flow for portfolios for the next 10 years.”

– Portfolio Analyst, Multi-Family Office, North America

The commercial lean continues, as does the home bias

Broadly consistent with last year, 55% of family offices' average real estate portfolio is commercial, while 46% is residential (figure 2.21). A home bias towards local investments also remains, reflecting the fact that: investors often encounter the best deals close to home via their local social networks; they can feel best suited to analysing deals where they have local knowledge; and they benefit from residing close to their investments so that they can rapidly become aware of, and respond to, changing market trends.

In turn, at present, 29% of commercial and 24% of residential deals are local to the family office, while only 8.8% of commercial and 10% of residential deals are based internationally (figure 2.21). In the words of one family member:

“All of our partners in real estate have grown out of family friendships, of having that network of real estate investing families.”

– Family Member, Single Family Office, North America

Real Estate

“We end up taking most of our risks in our hard assets, in our real estate, where we're willing to look at the long-term growth of the real estate market – and the historical one as well.”

– Chief Investment Officer, Single Family Office, North America

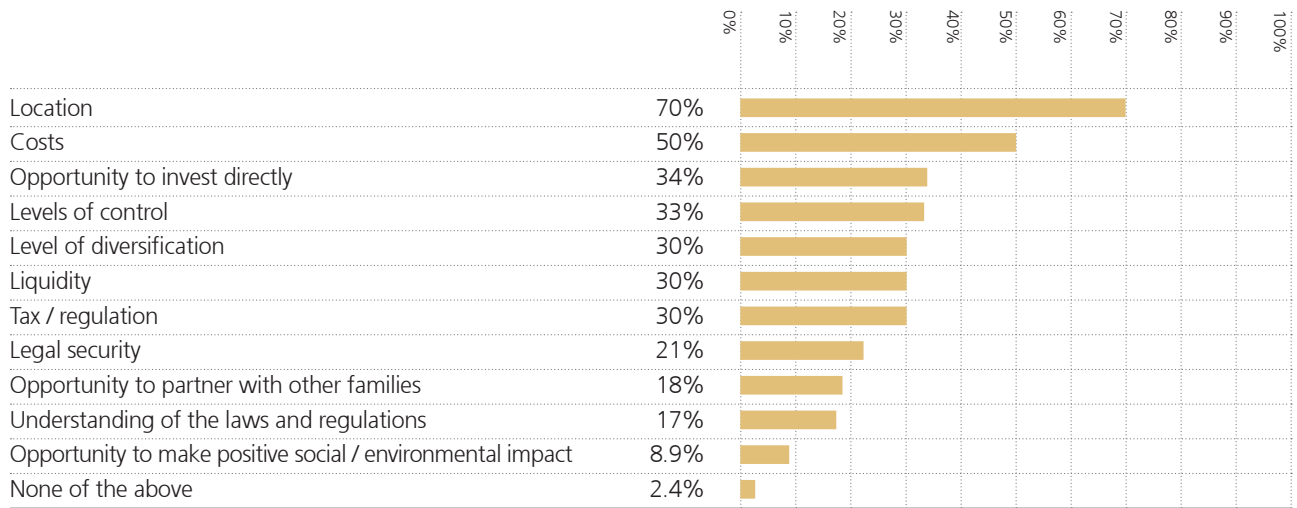
73% of family offices invest in real estate

Nearly three-quarters of family offices invest in real estate, with the two most common motivations to

Returns average between 6.6% and 9.2%
 Performance across the average family office real estate portfolio was relatively consistent, with returns averaging between 6.6% and 9.2%. Commercial

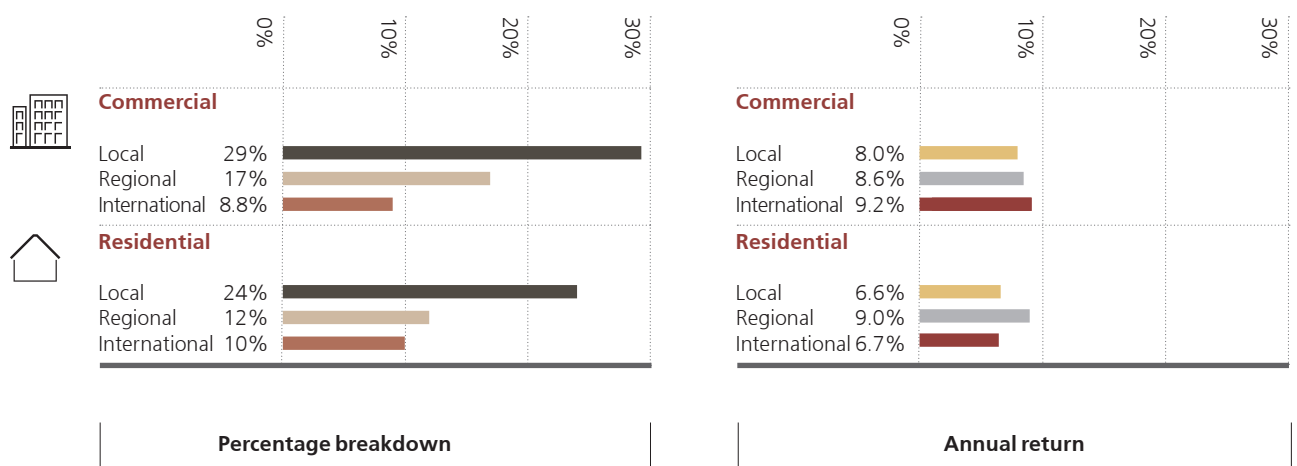
international (9.2%) and residential regional (9.0%) real estate performed the best, while residential local (6.6%) and residential international (6.7%) delivered somewhat weaker returns (figure 2.21).

Figure 2.20
 Motivations to invest in real estate, beyond returns



Source: The UBS / Campden Wealth Global Family Office Survey 2019
 Note: Figures may not sum to 100% because respondents can select multiple options

Figure 2.21
 Real estate allocations and returns



Source: The UBS / Campden Wealth Global Family Office Survey 2019
 Note: Figures may not sum to 100% due to rounding. The sample of participants who responded to this question is somewhat different to those who responded to the questions in the performance chapter, therefore minor variations in performance may be present.

Sustainable Investing

Definition

Sustainable investing is an investment approach that involves the consideration of environmental, social, and governance (ESG) factors in the investment process. Three distinct sub-approaches, which can be used individually or in combination, can be identified: 1) exclusion – excluding investments that are not aligned with an investor’s values; 2) integration – incorporating ESG factors into traditional investment processes; and 3) impact investing - investing with the intention to generate measurable environmental or social impact, alongside providing a competitive financial return.

Sustainable investing has attracted a great deal of attention in recent years – and an equally impressive rise in investment. At present, according to the most encompassing definitions, USD 31 trillion of assets globally are being managed under sustainable investment strategies, up a sharp 34% from 2016 (Global Sustainable Investment Alliance, 2019).

The family office space is not immune to the attraction of sustainable investing. With sustainable investing, families can invest with their values and create significant positive change, whilst also simultaneously generating profit, thereby cementing a positive family legacy and supporting long-term wealth preservation.

At present, the next generation – and millennials, in particular – are contributing to a more rapid adoption of sustainable investing. In the words of two family office executives:

“The next generation is younger and has a longer time horizon. They want the investments they are making to have a certain return, not only financial, but also on society.”
– Founder, Private Multi-Family Office, Europe

“None of the families I work with have sustainable or impact investments. They usually take care of that on their philanthropy side. This will change with the next generation and the transition of wealth.”
– Director, Multi-Family Office, Asia-Pacific

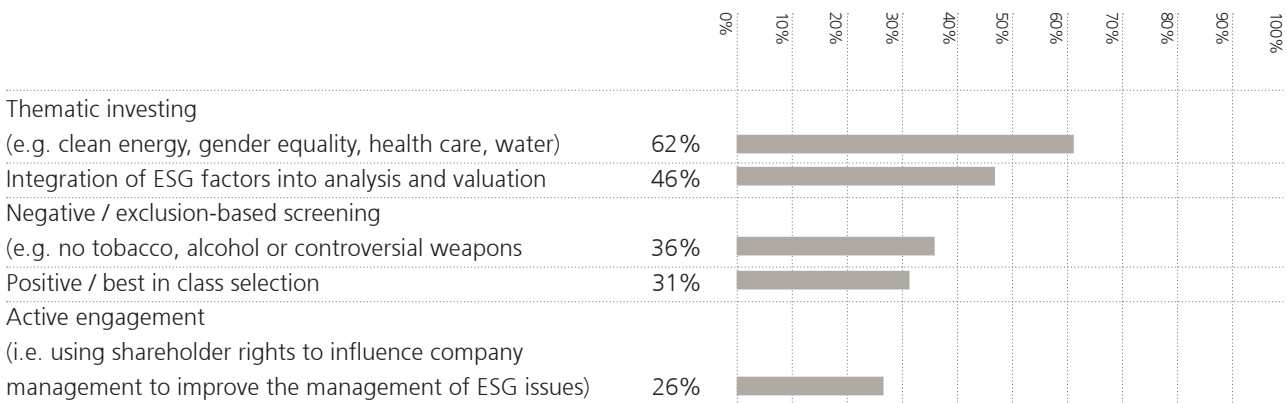
Women, too, have been credited for contributing to the rise in sustainable investing. In the words of a managing partner from a multi-family office:

“We definitely see demands for sustainable investing more from women, millennials, and the next generation.”
– Partner, Multi-Family Office, North America

1 in 3 family offices are engaged in sustainable investing

Given the attraction, it comes as no surprise that 34% of family offices are now engaged in sustainable investing. The most commonly adopted approaches are ‘thematic investing’ (e.g. clean energy, gender equality, health care, and water) – which 62% of these family offices indicated they have adopted – and the ‘integration of ESG factors into analysis and valuation’ – which 46% have adopted (figure 2.22).

Figure 2.22
Family office sustainable investment approaches used



Source: The UBS / Campden Wealth Global Family Office Survey 2019
Note: Figures may not sum to 100% because respondents can select multiple options

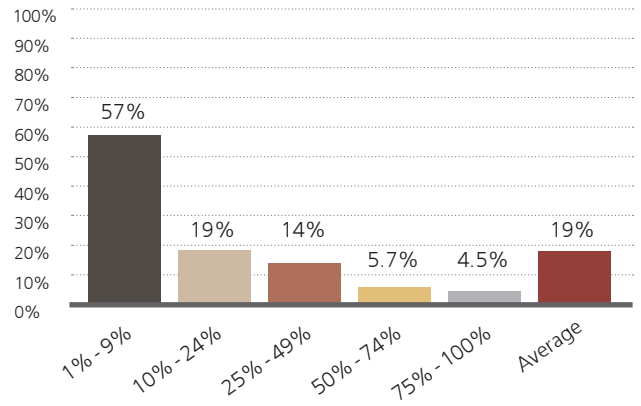
The average portfolio allocates 19% to sustainability

Just over half of the relevant family offices (57%) currently allocate less than 10% of their portfolios to sustainable investments. A third (33%) dedicate between 10%-49% or more, while the average across this investor cohort is 19% (figure 2.23).

Climate change is the #1 cause supported

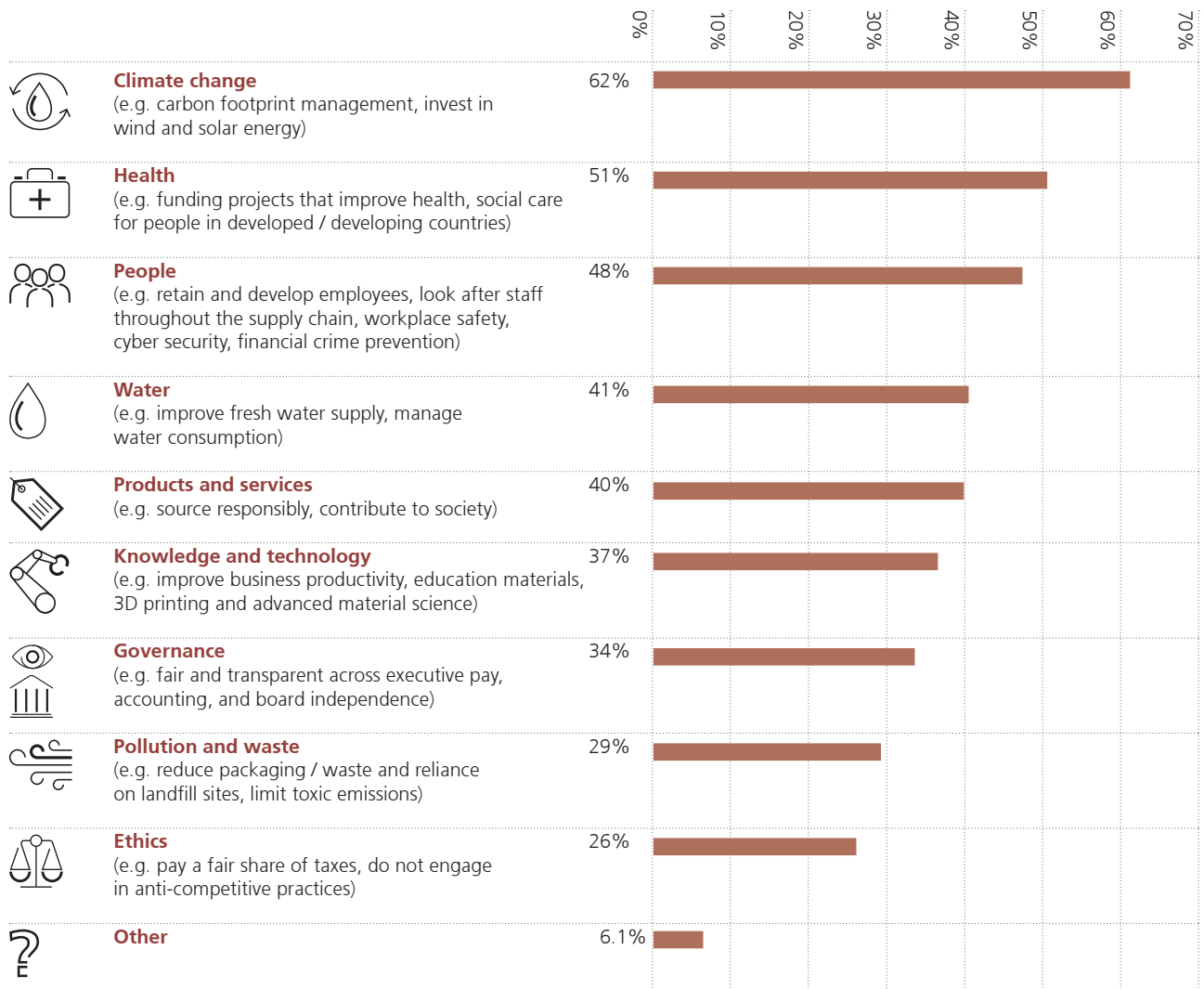
The most popular causes supported are: climate change (carbon footprint management, investment in wind and solar energy) which 62% invest in; health (funding projects that improve health, social care for people in developed / developing countries) which 51% support; and people (retaining and developing employees, workplace safety, cyber security) which 48% support (figure 2.24).

Figure 2.23
Percentage allocation to sustainable investment, amongst those who invest in sustainability



Source: The UBS / Campden Wealth Global Family Office Survey 2019
Note: Figures may not sum to 100% due to rounding

Figure 2.24
Sustainable investment causes supported



Source: The UBS / Campden Wealth Global Family Office Survey 2019. Note: Figures may not sum to 100% because respondents can select multiple options.

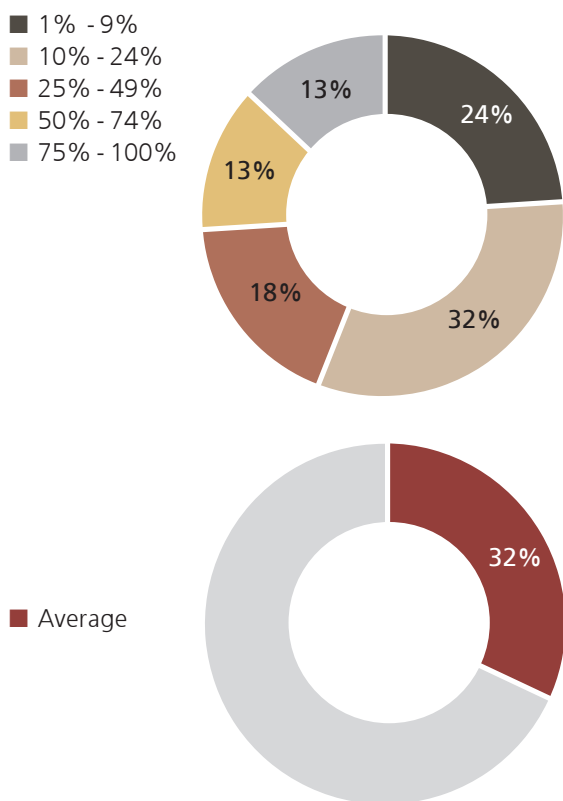
85% of sustainable investments met or exceeded expectations

For the vast majority of the family offices, over the last year, sustainable investment performance has matched (69%) or exceeded (16%) expectations when compared with traditional investments of the same type (figure 2.26).

32% of the average portfolio is expected to be sustainable within 5 years

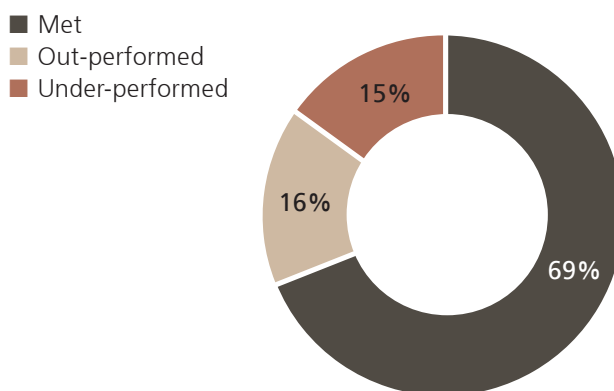
The family offices already involved in sustainable investing believe that their allocations here will continue to grow. In the next five years, it is predicted that 32% of their average portfolio will be dedicated to sustainable investments. Interestingly, over a quarter (26%) also assert that 50% or more of their allocations will be sustainable, a sizeable rise from the current 19% (figure 2.25).

Figure 2.25
Predicted allocation to sustainable investment, amongst those who invest in sustainability, in five years time



Source: The UBS / Campden Wealth Global Family Office Survey 2019

Figure 2.26
Proportion of sustainable investments that met performance expectations compared to traditional investments



Source: The UBS / Campden Wealth Global Family Office Survey 2019

Impact Investing

Definition

Investments with the intent to generate measurable environmental or social impact, alongside providing a competitive financial return.

Like the sustainability space more generally, impact investing continues to grow, with investors of all types and from all over the world now involved. The sector’s assets under management now amount to roughly USD 502 billion – almost double last year’s estimate (albeit this was based on fewer organisations) (Global Impact Investing Network, 2019).

1 in 4 family offices invest in impact

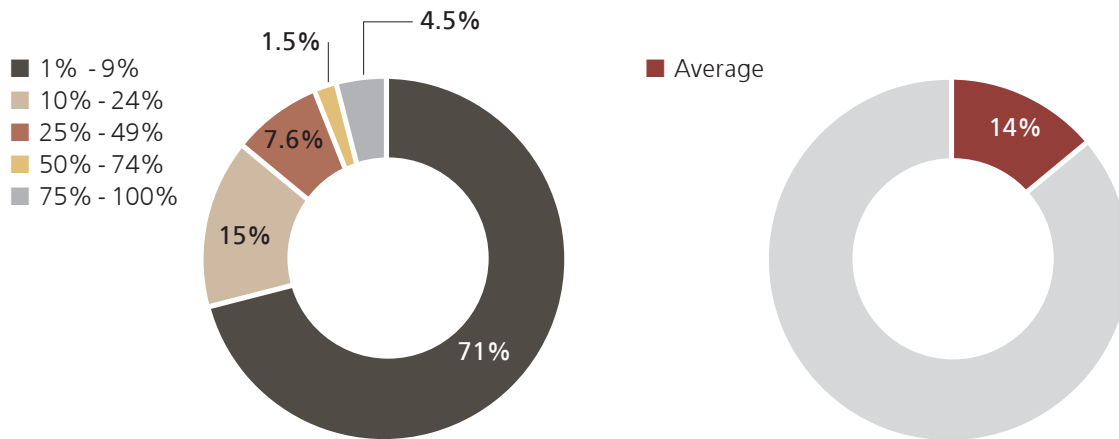
At present, 25% of family offices globally are engaged in impact investing. The vast majority of these (71%) allocate under 10% to the approach, while the average across all impact investors is 14% (figure 2.27).

Direct private equity is the most popular vehicle

The most common vehicles for investment are: direct private equity (76%), real estate (32%), and private equity funds (24%) (figure 2.28).

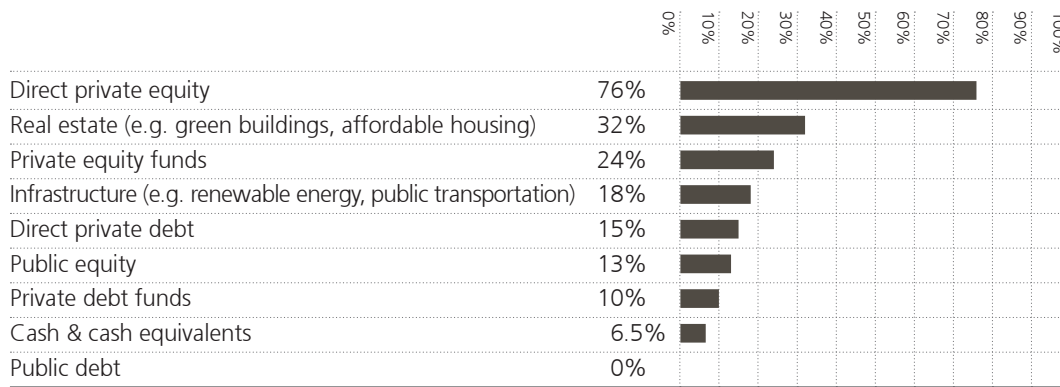
The most common areas of investment are education (45%), agriculture / food (45%), and energy and resource efficiency (43%) (figure 2.29).

Figure 2.27
 Percentage allocation to impact investing, amongst those who invest in impact



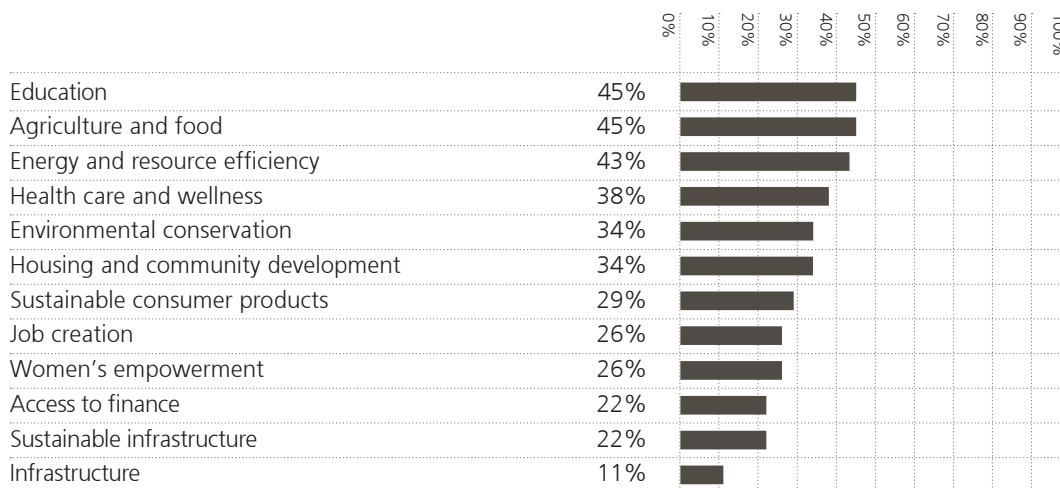
Source: The UBS / Campden Wealth Global Family Office Survey 2019
 Note: Figures may not sum to 100% due to rounding

Figure 2.28
 Most common vehicles for impact investing



Source: The UBS / Campden Wealth Global Family Office Survey 2019. Note: Figures may not sum to 100% because respondents can select multiple options.

Figure 2.29
 Most common areas of impact investments



Source: The UBS / Campden Wealth Global Family Office Survey 2019. Note: Figures may not sum to 100% because respondents can select multiple options.

81% of impact investments met or exceeded expectations

In terms of performance, for the vast majority of the family offices, their impact investments have matched (61%) or out-performed (20%) expectations compared to their traditional investments of the same type over the last 12 months (figure 2.30).

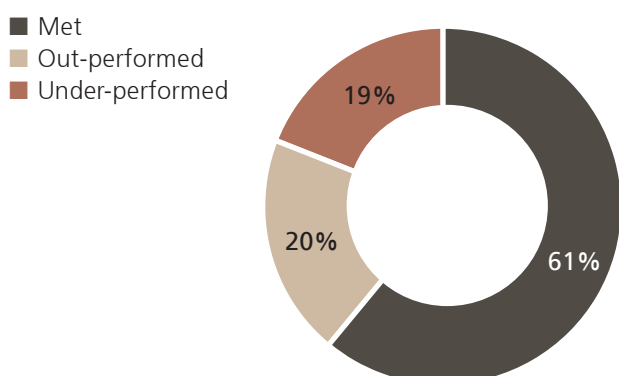
Whilst some families believe that they have to accept lower returns in order to engage in impact investing, this assumption is beginning to fade. According to the principal of a single family office in Europe:

“We are not willing to take a lower return just because it has social impact. If you do it the right way, you can achieve a return set to market.”

– Principal, Single Family Office, Europe

Figure 2.30

Proportion of impact investments that met or out-performed expectations compared to traditional investments



Source: The UBS / Campden Wealth Global Family Office Survey 2019

25% portfolio allocation to impact investment within 5 years

Five years from now, over a third (37%) of family offices expect to increase their impact allocation to total 10% to 24% of their portfolios, while just under a third (30%) plan to allocate 25% or more. The average across all participants is anticipated to be 25% (figure 2.31).

A third believe sustainable investments are not well enough established

While nearly two-fifths (39%) of the family offices which currently make sustainable or impact investments are happy with their existing investment approach, significant numbers report facing barriers when trying to invest in this arena. A third (33%) believe that sustainable / impact investments are not established enough to invest in (e.g. there is a lack of well-known companies and the investments have a short track

record). Nearly a quarter (24%) are worried that their investments will generate lower returns than their traditional investments, while over a fifth (22%) find it hard to measure the impact of their investments, and 16% report a lack of education and understanding about this area in general (figure 2.32).

Reiterating the sentiment behind these findings, a family office executive remarked:

“At the end of the day, it is going to be very different depending on how the investor is looking at the money. Are you looking at it for a real financial return or are you looking at it as a replacement of philanthropy, where you can justify lower returns versus looking at it on an apples-to-apples basis.”

– Portfolio Analyst, Multi-Family Office, North America

An executive director from a single family office further commented:

“I find that sometimes impact investing requires a little bit more due diligence, because you do not really know if it is real and if it is effective.”

– Executive Director, Single Family Office, Emerging Markets

Two senior members of multi-family offices summarised:

“This is not a passing fad. Everything that we see now is families trying to take a more considered approach, but not necessarily knowing how to do it.”

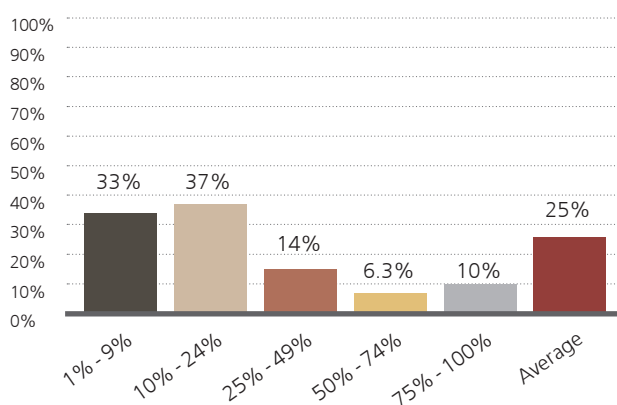
– Partner, Multi-Family Office, Europe

“We definitely see interest, but there is so much confusion out there.”

– Managing Partner, Multi-Family Office, North America

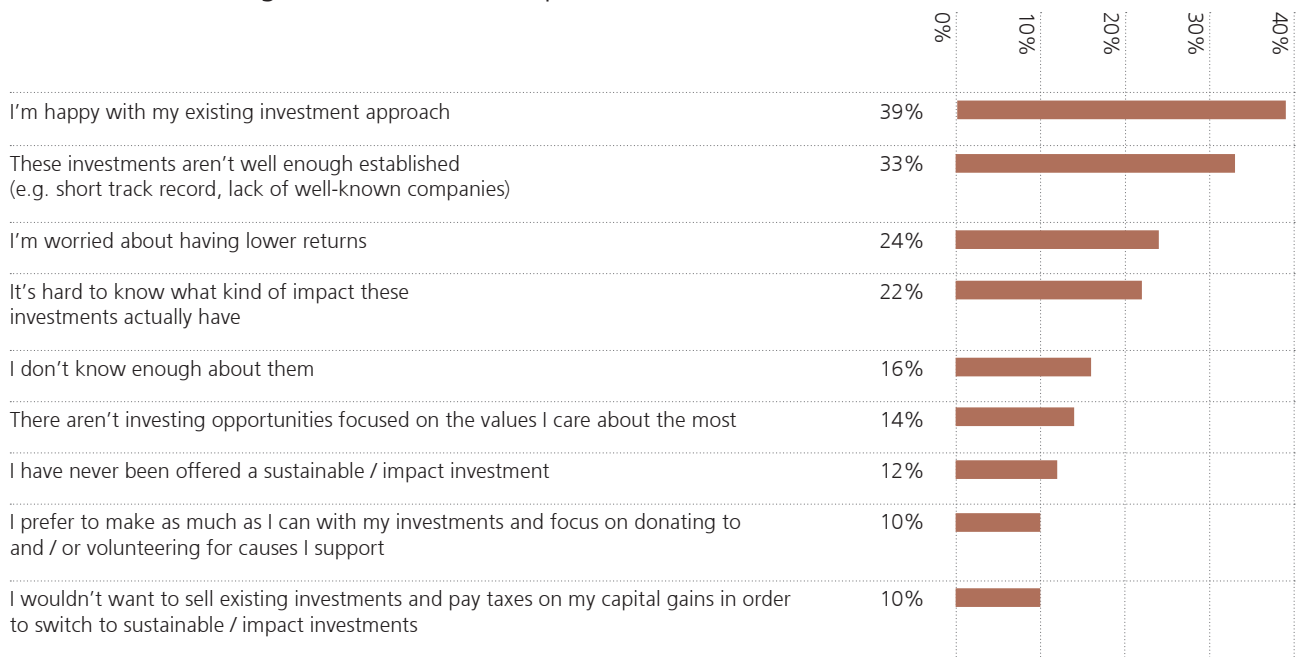
Figure 2.31

Expected average portfolio allocation to impact investments five years from now



Source: The UBS / Campden Wealth Global Family Office Survey 2019

Figure 2.32
Barriers to investing in sustainable or impact investments



Source: The UBS / Campden Wealth Global Family Office Survey 2019. Note: Figures may not sum to 100% because respondents can select multiple options

Sustainable investing is on the rise

Interview with a partner at a private multi-family office in Europe

The number of family offices engaging in sustainable and impact investing has grown steadily in recent years. However, the relatively recent emergence and popularity of these concepts and the lack of clarity about their meaning and scope create challenges for investors.

What are the key trends you observe working with family offices around the world?

I see a clear trend when it comes to what we understand as 'values-based investing'. Around three-in-four of the families we work with are involved in this type of investing. By 'values-based investing', I am referring to investments in which one does not have to compromise returns in order to invest on a sustainable basis and make a positive impact. I am confident that it is not a passing fad.

What do you see as the key barriers these family offices face when it comes to sustainable and impact investing?

Firstly, these concepts are relatively new. When I started thirty years ago, there was a debate about what was called 'ethical investment', but there were big doubts about investing in the relevant areas, because one would be compromising one's returns. Now, ESG considerations are mainstream for many family offices. However, since this is

a relatively new approach and there are no clear guidelines regarding how to position an ESG-friendly portfolio versus a conventional portfolio, navigation is quite difficult. Secondly, it seems that there is not a lot of clarity regarding these concepts. Families are wrestling with them especially because the spectrum from conventional investing right through to impact and philanthropy is quite broad and difficult to navigate.

Can you illustrate your point with some examples?

A family might want to exclude certain industries from its portfolio in their entirety, let's say they do not want to invest in oil or mining industries. However, what might seem prima facie a very obvious statement to make if you want to avoid burning more fossil fuels or polluting the environment, might not be such an obvious choice. Things are not so binary. Imagine you want to abstain from investing in oil companies. Well, that is perfectly reasonable but, on the other hand, these companies also hire the best engineers and are already experimenting with the latest technologies to look for alternative sources of fuel and to make existing fuel usage as clean as it can be. In other words, one has to be pragmatic in this space and evaluate situations on a case-by-case basis. We have to avoid problems like 'greenwashing' and abstain from ticking boxes just for the sake of it. Avoiding these binary approaches is the best way to accomplish genuine positive impact – and that is our objective.

2.3 Family Office Performance

Key survey findings:

- Between Q1/Q2 2018 and Q1/Q2 2019, global family offices' overall investment performance cooled, with the average portfolio returning 5.4%.
- During this period, expectations were not realised in nine out of 13 asset classes. Equities lagged the most – with developed market stocks falling 5.2% behind expectations and developing market stocks falling 10% behind.
- Private equity fared the best of all asset classes, achieving an average return of 16% for direct investing and 11% for funds-based investing.
- Regionally, Asia-Pacific and the Emerging Markets produced the strongest overall performances (both 6.2%), while North America was only marginally behind (5.9%) and Europe lagged the furthest at 4.3%.

Last year – the fourth quarter in particular – was a tough period for investors. With challenges such as the US/China trade war, Brexit, the escalating tension in the Middle East, and rising social and economic unrest in Europe, investors strove to navigate a turbulent economic and geo-political backdrop.

In the first half of 2019, while some major economies appeared to have moved toward more advanced stages of the business cycle, the US economy, in particular, delivered positive results including falling unemployment. In turn, there were periods in which concerns about the economy eased and sentiment about the short-term improved. Subsequently, concerns about a recession re-emerged, creating further waves in an already somewhat choppy investment landscape.

Methodology update

In previous years, the performance data we included in our reports was based on indices. This year, we have changed our methodology to also include self-reported returns – i.e., data directly from senior family office executives.

An effort has also been made to include the most up-to-date performance figures possible. In turn, respondents were asked for their average performance figures over the 12 month period prior to the time they were surveyed, between February and May 2019. In previous years, performance data was based on calendar year (January to December) index averages.

In order to better match the timing of the self-reported data, the index benchmark is set from May 2018 to May 2019 – and the self-reported data is featured more prominently, with the

index data acting as a comparative benchmark in figures 2.34 and 2.36. For those who are accustomed to relying on the calendar year index-based performance data, these figures are included as well in figure 2.37.

With these comments in mind, the performance data should be treated with caution - as only indicative and ballpark averages.

Returns cooled to 5.4%

After a strong performance in 2017, family offices' overall investment performance cooled between Q1/Q2 2018 and Q1/Q2 2019, with the self-reported global average portfolio return standing at 5.4%.

This self-reported figure was somewhat higher than the similarly timed May 2018 to May 2019 portfolio benchmark index figure of 2.9% (figure 2.34).

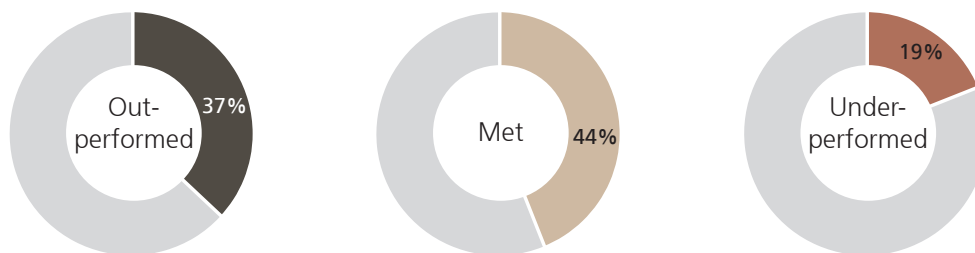
Given that the market picked up in Q1 2019 after a weak fourth quarter in 2018, the self-reported figure was furthermore notably higher than the 2018 calendar year (January to December) index benchmark of -4.0%. This suggests that there has been a notable downturn in performance year-on-year, as the overall index benchmark in 2017 stood at 15.5%, a difference of -19.5% (figure 2.34).

Despite these findings, the vast majority of family offices reported that overall investment performance met (44%) or outperformed (37%) the relevant benchmark (figure 2.33). As a family member of a single family office put it:

“Our returns have met expectations, but expectations haven’t been great – so it’s all relative.”
 – Family Member, Single Family Office, North America

“The clients that fared better over the last year were those that had a higher exposure to alternative investments.”
 – Portfolio Analyst, Multi-Family Office, North America

Figure 2.33
 Overall portfolio investment performance compared to the benchmark, 2019 (in percent)



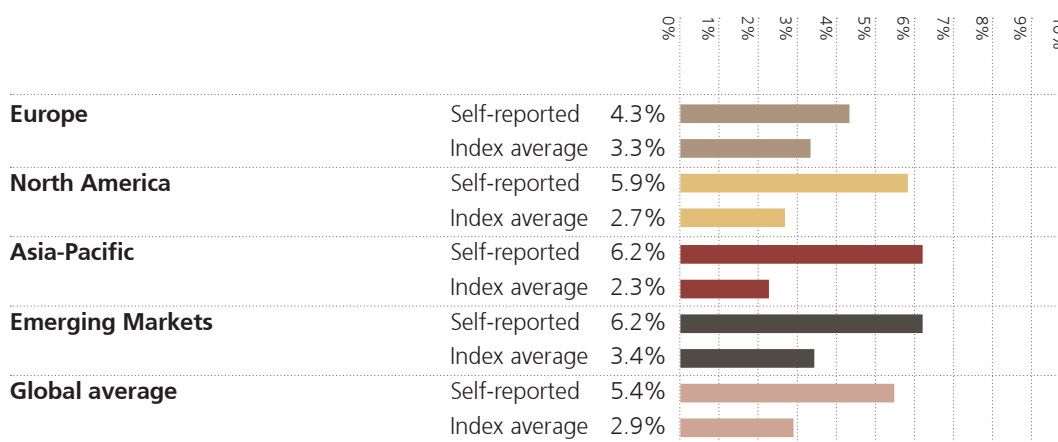
Source: The UBS / Campden Wealth Global Family Office Survey 2019

Asia-Pacific and the Emerging Markets produced the strongest overall performances

Family offices in Asia-Pacific and the Emerging Markets delivered the highest average returns, both 6.2%. This was a margin above their index benchmarks at 2.3% for Asia-Pacific and 3.4% for Emerging Markets (figure 2.34). Developing market equities and bonds, along with commodities – to which Asia-Pacific and the Emerging Markets continued to allocate more than the other regions – in addition to direct private equity investments, drove the marginal outperformance of other regions.

Asia-Pacific’s developing market equities average return of 3.4% surpassed the global average by 4.4 percentage points, its developing market fixed income investments (returning 4.9%) surpassed the global average by 2.5 percentage points, and its ‘other commodities’ investments (returning 2.4%) exceeded the global average by 4.5 percentage points. All regions’ direct private equity investments performed relatively well, however, Asia-Pacific’s performance of 19% outstripped the global average by 2.9 percentage points (figure 2.35).

Figure 2.34
 Overall portfolio investment return by region for both self-reported (Q1/Q2 2018 – Q1/Q2 2019) and index benchmark (May 2018 – May 2019) data



Source: The UBS / Campden Wealth Global Family Office Survey 2019
 Note: Performance is based over the following period, Q1/Q2 2018 – Q1/Q2 2019

Both stocks and bonds fell short of expectations

Family offices reported that expectations were unmet in nine out of 13 asset classes. During a challenging period for both public stocks and bonds, developed and developing market equities realised average returns of 2.1% and -1.1%, falling 5.2 percentage points and a significant 10 percentage points behind expectations, respectively (figure 2.36).

Developed and developing market fixed income returned 2.9% and 2.3% – 0.8 and 2.9 percentage points below expectations, respectively. In our interviews with family office executives, some emphasised the volatility in the public markets:

“Our public portfolio obviously had that dip from September to December. That was not expected and we lost four months of performance. Now, we’re back up where we were.”

– **Managing Partner, Single Family Office, Emerging Markets**

“The market is all over the place. It splatted massively in December, then it was great, and then it was down. I don’t know, we shall see.”

– **Executive Director, Single Family Office, North America**

Hedge funds returned 2.3%, falling 3.4pp behind expectations

While the above-mentioned economic and political issues might be thought to constitute a fertile ground for hedge funds, overall, the industry struggled in 2018. Like the public equity markets, but more muted, the industry rebounded in early 2019. Family office investments in hedge funds realised an average return of 2.3%, which was 3.4 percentage points below expectations (figure 2.36). It was also 1.3 percentage points below the index average benchmark of 3.6% (May 2018 – May 2019).

Private equity fared the best, with 16% direct and 11% fund performance...

In contrast, the private equity industry continued to raise capital at historic levels and see escalating deal values. Family office private equity investments, which realised double-digit returns, fared the best of all the asset classes.

On average, direct investing returned 16% and funds-based investing returned 11%, 1.0 percentage point each below and above expectations, respectively (figure 2.36). With the index average standing at 13% across both investment classes, family offices’ direct investing fared somewhat better than funds-based investing relative to the benchmark. One portfolio analyst remarked:

“Given all of the volatility in the equities and fixed income markets, our clients that fared better over the last year were those that had a higher exposure to alternative investments. The fact that they’re not marked to market the way liquid securities are is something that definitely helps when it comes to overall performance, and also the fact that people have limited ability to sell.”

– **Portfolio Analyst, Multi-Family Office, North America**

Increasingly, the question is, how long will the private equity run last?

...while real estate came in second at 9.4%

Real estate, too, performed well, with direct investments delivering an average return of 9.4% and outperforming expectations by 1.0 percentage point (figure 2.36). This self-reported performance figure is 5.7 percentage points higher than real estate’s index benchmark average of 3.7% (May 2018 to May 2019).

Figure 2.35
Performance of asset allocation by region (in percent)

	Global	North America	Europe	Asia-Pacific	Emerging Markets
Bonds					
Fixed income – developed markets	2.9%	3.8%	1.2%	3.4%	3.6%
Fixed income – developing markets	2.3%	1.7%	-0.4%	4.9%	4.4%
Equities					
Equities – developed markets	2.1%	2.9%	0.4%	3.3%	3.0%
Equities – developing markets	-1.1%	-1.9%	-4.0%	3.4%	3.2%
Alternative investments					
Private equity – direct investments	16%	16%	15%	19%	12%
Private equity funds	11%	12%	12%	9.0%	10%
Real estate – direct investments	9.4%	11%	7.2%	8.9%	11%
REITs	5.7%	7.3%	4.4%	4.4%	6.0%
Hedge funds	2.3%	2.8%	1.2%	3.3%	1.6%
Commodities					
Agriculture (forest, farmland etc)	3.3%	2.8%	4.0%	2.9%	3.5%
Gold / precious metals	2.5%	3.0%	2.5%	2.4%	2.5%
Other commodities	-2.1%	-1.9%	-5.7%	0.0%	-1.0%
Cash or cash equivalent					
	1.9%	1.6%	1.4%	2.3%	4.0%
TOTAL portfolio	5.4%	5.9%	4.3%	6.2%	6.2%

Source: The UBS / Campden Wealth Global Family Office Survey 2019

Note: Performance is based over the following period, Q1/Q2 2018 – Q1/Q2 2019. These performance figures are based on self-reported data.

Figure 2.36

Actual return vs. Expected return, 2019

	Actual return (self-reported) Q1/Q2 2018 - Q1/Q2 2019	Expected performance	Overall under / over performance against expectations (in percentage points)	Index benchmark May 2018 - May 2019
Bonds				
Fixed income – developed markets	2.9%	3.7%	▼-0.8	3.4%
Fixed income – developing markets	2.3%	5.2%	▼-2.9	7.1%
Equities				
Equities – developed markets	2.1%	7.3%	▼-5.2	-0.6%
Equities – developing markets	-1.1%	8.9%	▼-10	-8.0%
Alternative investments				
Direct venture capital / private equity	16%	15%	▲ 1.0	13%
Private equity funds	11%	12%	▼-1.0	13%
Hedge funds	2.3%	5.7%	▼-3.4	3.6%
Real estate – direct investments	9.4%	8.4%	▲ 1.0	3.7%
REITs	5.7%	5.1%	▲ 0.6	7.3%
Commodities				
Agriculture (forest, farmland etc)	3.3%	3.4%	▼-0.1	-11%
Gold / precious metals	2.5%	2.8%	▼-0.3	-0.3%
Other commodities	-2.1%	2.6%	▼-4.7	-12%
Cash or equivalent	1.9%	1.5%	▲ 0.4	2.3%
Total Average Portfolio Return	5.4%			2.9%

Source: The UBS / Campden Wealth Global Family Office Survey 2019
 Note: Performance is based over the following period, Q1/Q2 2018 – Q1/Q2 2019

Figure 2.37

Annual asset allocation and average calendar year (January - December) index benchmark performance, 2015 - 2018

Asset Class	Benchmarking Performance Index	2015		2016		2017		2018		
		Return	Allocation	Return	Allocation	Return	Allocation	Return	Allocation	
Developed bonds	BCOR	Global Corporate Bond Index	-4.2%	4.7%	4.4%	5.8%	9.1%	6.5%	-3.6%	6.0%
	BHYC	Global High Yield Index	-4.7%	4.7%	15%	5.8%	10%	6.5%	-4.1%	6.0%
Developing bonds	BLCSV	Global Emerging Bond Yields	-2.0%	3.4%	0.6%	3.4%	10%	3.2%	-4.3%	4.3%
Developed equity	MXWO		-2.7%	19%	8.2%	22%	23%	22%	-8.7%	25.0%
Developing equity	MXEF		-17%	7.1%	12%	7.3%	38%	6.0%	-14.6%	7.4%
Private equity		Cambridge Associates US PE Indices	5.9%	22%	13%	20%	18%	22%	10.6%	18.7%
Hedge funds	HFRXGL		-3.6%	2.7%	2.5%	2.1%	6.0%	5.7%	-6.7%	4.5%
	HFRXMMS		-1.8%	2.7%	-0.3%	2.1%				
	HFRXEH		-2.3%	2.7%	0.1%	2.1%				
Real estate direct	EPRA EUROPE		15%	9.2%	-4.8%	9.6%	13%	8.7%	-11.2%	8.5%
	DJUSRE		2.1%	9.2%	7.6%	9.6%	9.9%	8.7%	-7.6%	8.5%
REITS		FTSE ENXG Index (Bloomberg)	0.8%	0.9%	6.5%	0.8%	8.0%	1.1%	-5.5%	1.0%
Agriculture	DJUSRE		2.1%	0.9%	7.6%	1.7%	9.9%	1.8%	-8.0%	1.4%
Other commodities	CRY		-22%	1.6%	9.3%	1.2%	0.7%	0.7%	-10.7%	1.0%
Gold		Gold Index					13%	0.9%	-1.8%	0.8%
Cash	USDRC CMPL		0.3%	8.4%	0.8%	6.6%	1.3%	7.0%	2.0%	6.9%
Total			0.3%		7.0%		15.5%		-4.0%	

Source: The UBS / Campden Wealth Global Family Office Survey 2019
 Note: Performance is based over the following period, Q1/Q2 2018 – Q1/Q2 2019

Figure 2.38

Market expectations of performance by asset class 2014 - 2019 (in percentage return)

	2014	2015	2016	2017	2018	2019
Bonds						
Developed market fixed income	3.5%	3.1%	2.6%	2.7%	3.9%	3.7%
Developing market fixed income	5.8%	5.7%	5.5%	4.2%	5.2%	5.2%
Equities						
Developed market	7.8%	7.9%	5.0%	5.9%	6.8%	7.3%
Developing market	10%	10%	7.7%	7.6%	8.8%	8.9%
Alternative investments						
Private equity: includes direct, venture, funds, co-investing and investment, bank syndication	16%	16%				
Direct venture capital / private equity	-	-	13%	14%	13%	15%
Private equity funds			8.9%	10%	11%	12%
Co-investing			14%	12%		
Hedge funds	7.3%	7.8%	5.0%	5.5%	6.7%	5.7%
Real estate direct investments	11%	11%	8.6%	7.8%	8.4%	8.4%
REITs	7.2%	7.3%	5.8%	4.0%	4.3%	5.1%
ETFs	7.6%	6.9%	4.3%	4.7%	-	
Tangibles	13%	13%	8.3%	4.0%	-	
Other assets (e.g. art)	13%	13%	6.8%	4.0%	-	
Commodities						
Agriculture	9.3%	9.3%	7.4%	5.9%	4.9%	3.4%
Gold / precious metals						2.8%
Other commodities	8.1%	8.3%	8.1%	4.3%	4.2%	2.6%
Cash or equivalent						
	2.2%	1.9%	0.9%	1.2%	2.3%	1.5%

Source: The UBS / Campden Wealth Global Family Office Survey 2019
 Note: Performance is based over the following period, Q1/Q2 2018 – Q1/Q2 2019

3. Taking the Pulse

3.1 Geo-Politics and the Economy

3.2 Climate Change and Sustainability

3.3 Social and Economic Inequality

3.4 Technology and Transformation

3. Taking the Pulse

Key survey findings:

- For the first time, the Global Family Office Report has asked family offices for their views on hot topics stretching across politics, economics, social inequality, technology, and the environment.
- Some of the most notable findings were that 84% of respondents believe that the populist wave hitting the western world will not fade by 2020, while 91% agree that US / China relations will have major economic implications for 2020. Meanwhile, 63% of family offices believe that Brexit will not be positive for the UK as a long-term investment destination.
- 53% of family offices have reported that climate change is the single greatest threat to the world. 36% contend that there are not enough opportunities for family offices to invest in green technology. 62% believe that the majority of family offices will engage in sustainable investing by 2022.
- In the future, technology will continue to shape how family offices operate and invest. A notable 87% of family offices agree that artificial intelligence will be the next biggest disruptive force in global business, while 57% agree that blockchain technology will fundamentally change the way we invest.

Family offices are embedded in a global context undergoing large-scale transformations. Whether one lives in the United Kingdom and are dealing with Brexit, or in China during the US/China trade war – their operations, investments, and broader business decisions will be influenced by contextual factors. These represent barriers and risks, but also opportunities for growth.

Family offices were asked about their perceptions of, and attitudes towards, the trends changing around them. These questions spanned the realms of geo-politics, the economy, technology, the natural environment, and social equality.

3.1 Geo-Politics and the Economy

“Who knows what will happen with Brexit, what will happen in the EU, and what will happen between the US and China. There are so many open questions – this could have a dramatic impact on the market.”

– CEO, Single Family Office, Europe

As discussed by the family office executives interviewed for this report, two interrelated trends are shaping global politics today. First, populist governments are promoting less economic integration and more protectionism. Second, the world is experiencing a period of global rebalancing. China, now the second largest economy, is openly competing with the United States for geo-political influence across the globe, and for economic and technological dominance. The European Union, which is caught between the United States and China, is under additional pressure as it experiences higher immigration and ongoing fiscal and banking risks.

91% believe that US / China relations will have major economic implications in 2020

Respondents noted that tensions between the United States and China stem, in part, from the economic rise of China and differences between the US market-led economic model and China’s state-led economic model.

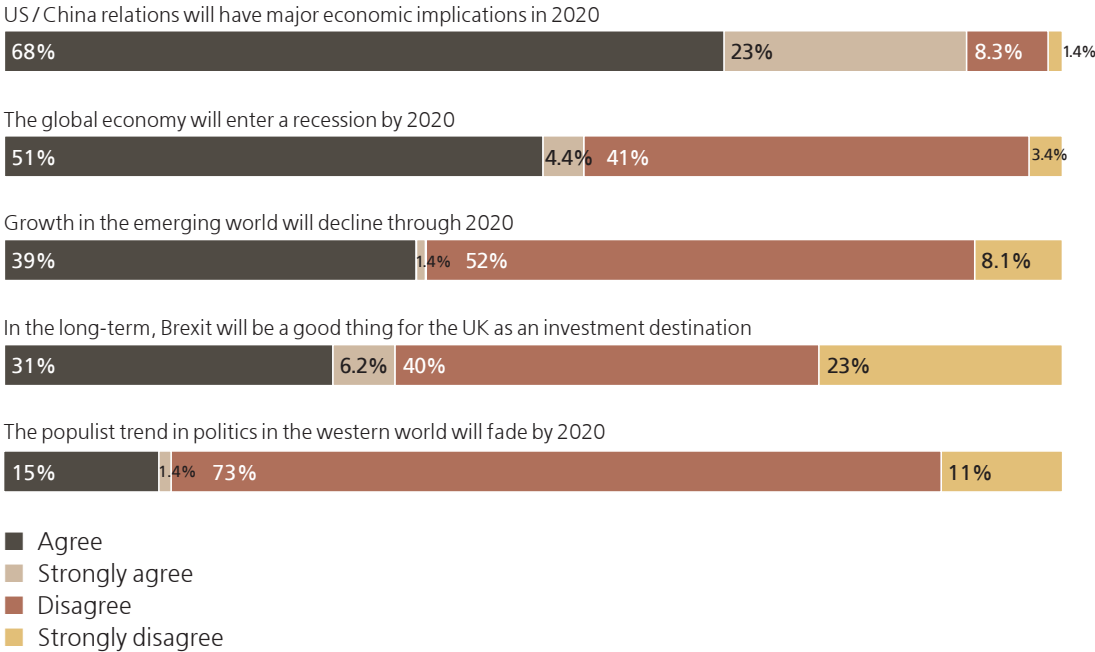
63% believe that Brexit will be bad for UK investment

As the UK and the EU struggle to reach a post-Brexit agreement, perceived political risk and economic uncertainty are on the rise. Brexit is, furthermore, happening during a period in which the European Union is under pressure from within, with critics of its migratory and fiscal policies gathering support inside the EU Parliament. In the words of one family office executive:

“I am fairly pessimistic. I predict a downturn with Brexit looming, the issues in Italy and Greece unresolved, and the possibility of Islamic terror coming back.”

–Managing Partner, Single Family Office, Europe

Figure 3.1
Global trends, geo-politics and the economy



Source: The UBS / Campden Wealth Global Family Office Survey 2019
Note: Figures may not sum to 100% due to rounding

Globally, the majority of respondents (63%) believe that, in the long-term, Brexit (whether hard or soft) will not be positive for the UK as an investment destination. Although, in these divided times, some disagree, as one family office executive remarked:

“The EU is still experimenting, and I am a bit sceptical of it. I think the UK will benefit from being able to reduce the hold that the EU has on it. I think that if the UK leaves – deal or no deal – it will likely experience a small recession. This will bring in more investment and ultimately I think you will see a stronger UK.”

– Family Member and Chairman, Single Family Office, North America

55% assert that the global economy will enter a recession by 2020

With the changing political landscape in mind, family office executives were asked about their outlook on the economy in the near-term. A majority of respondents (55%) believe that the global economy will likely enter a recession by 2020 (figure 3.1). One respondent remarked:

“Our view is that there is potentially a recession approaching within two, two and a half years or so. I personally think it might be a little bit sooner.”

– Portfolio Analyst, Multi-Family Office, North America

3.2 Climate Change and Sustainability

Sustainable investing is an emerging trend within the family office space. Over a third (34%) of the community is now engaged in this form of investing, and this cohort projects that their average portfolio share of sustainable investments will grow from 19% to 32% within the next five years.

Climate change is the number one area family offices support, which aligns with a recent report by the UN Intergovernmental Panel on Climate Change (IPCC) (2019) that urged the international community to take firm action to avoid irreversible damage to natural and human systems. The report projects extreme droughts and flooding which will lead to the loss of several species of animals and crops, as well as the spread of tropical diseases across the globe, amongst other problems. The IPCC concluded that, in order to avoid this scenario, levels of CO2 emissions need to be brought down to net zero by 2050.

53% believe that climate change is the greatest threat to the world

With such information becoming increasingly prevalent, we asked family offices if they perceived climate change to be the single greatest threat to the world. The result was divided, with 53% agreeing with the paramount nature of this threat.

Lowering the level of carbon emissions across the globe will require large-scale economic and technological

changes. Consequently, family offices envisage that this transition will take place, with 84% expecting that green energy will surpass fossil fuels in the future.

62% think that the majority of family offices will invest sustainably by 2022

This is a result of heightened societal awareness about the world’s environmental and social challenges.

36% find there are insufficient opportunities to invest in green technology

One of the key areas for sustainable investing is green technology. According to over a third (36%) of family offices, the current supply of opportunities to invest in green technology is insufficient (figure 3.2). Perceived lack of opportunities vary across regions, ranging from 53% in the Emerging Markets to just 28% in Europe. For one European family office executive:

“There are now many more opportunities in Europe to invest in green technology and have an impact on energy to benefit the planet.”

– Founder, Private Multi-Family Office, Europe

The existence of a mature market for renewable energy in Europe, with a history of generous subsidies, might account for this result.

Figure 3.2
Global trends, the environment

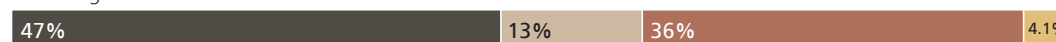
The majority of family offices will engage in sustainable investing by 2022



Recycling requirements for the home / workplace should be governmentally mandated



If the previous generation valued 'possessions' and the current generation values 'experiences', then the next generation values 'transformation'



There are not enough opportunities for family offices to invest in green technology



Climate change is the single greatest threat to the world



Green energy will never surpass fossil fuel



- Agree
- Strongly agree
- Disagree
- Strongly disagree

Source: The UBS / Campden Wealth Global Family Office Survey 2019
Note: Figures may not sum to 100% due to rounding

3.3 Social and Economic Inequality

In recent decades, unprecedented levels of economic growth and technological change have exacerbated socio-economic divisions. Rising levels of inequality within and between countries, as well as inequalities based on gender and identity, have become established issues for public debate.

65% believe family offices have a role to play in alleviating economic inequality

We asked family offices across the globe if they think they have a role to play in alleviating economic inequality, and a majority (65%) agreed (figure 3.3). It is worth noting, however, that there were regional variations, ranging from three-in-four respondents

agreeing in Asia-Pacific (77%) and Europe (75%), to less than half in North America (48%).

82% assert the world's wealthiest will increasingly tackle global challenges

Beyond solely social inequality, a large majority of family offices (82%) assert that the world's wealthiest individuals will increasingly tackle global challenges normally reserved for government. Levels of agreement are consistent across regions, except for respondents from the Emerging Markets who agree almost unanimously at 94%.

47% consider women to be the most under-used employment resource in family offices

Looking at gender equality within the family office space, we found a fairly divided opinion regarding the role of women in advancing family offices, with 47% considering that women are the greatest

under-used resource in the family office workforce and 53% disagreeing. Across regions, those in Asia-Pacific (52%) were the most likely to agree, followed by those in Europe (49%), Emerging Markets (44%), and North America (42%).

Figure 3.3
Global trends, social and economic inequality



Source: The UBS / Campden Wealth Global Family Office Survey 2019
Note: Figures may not sum to 100% due to rounding

3.4 Technology and Transformation

“Everything can be done remotely today. We only go to the office one or two days a week. The world is becoming more virtual and I think that is a trend that a lot of people still do not understand.”
– **Founding Partner, Single Family Office, North America**

Technology is dramatically changing the way businesses operate. From artificial intelligence to blockchain technology and crypto-currencies, few remain unaffected by the rapid and substantial advances being made. As family offices experience the effects of what some have designated the ‘fourth industrial revolution’, we asked them about their perceptions of the most transformative technologies. In the words of a director from a multi-family office in Asia-Pacific:

“There are five pillars which describe the future – that is, the next 30 years or so: machine learning, artificial intelligence, crypto-currency, blockchain, and, for me, gaming. These are all quite new, and everybody is working on them or beginning to invest in them. One reason that I am so bullish on this is that you can feel the electricity - almost like you felt in the 1990s with the internet, or 2000s with the smartphone. At the moment, people are not investing much – perhaps 1% to 5% of their portfolios. They are often doing it for educational purposes – to understand these technologies and the trends.”
– **Director, Multi-Family Office, Asia-Pacific**

9 in 10 believe AI will be the biggest disruptive force in global business

A notable 87% of all family offices agreed that artificial intelligence (AI) will be the next biggest disruptive force in global business. In the words of two family office executives:

“Artificial intelligence can learn things much more quickly than a human and see patterns that can help us to predict events. AI touches virtually every field. In some areas, like health care, there have already been studies that show that machines are better at detecting cancer, for example.”

–Director, Single Family Office, Emerging Markets

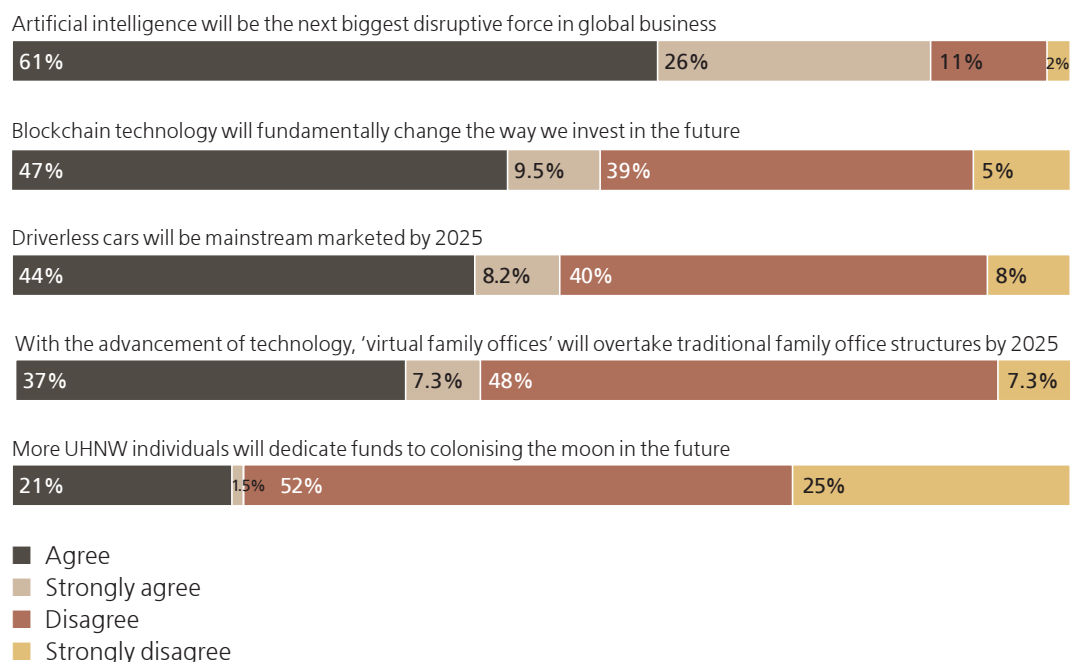
“More and more family offices are being set up, and families want to control their wealth more closely and by themselves. To some extent, this will be increasingly enabled by artificial intelligence, robo-advisers, and digital reporting tools.”

–Managing Partner, Single Family Office, Europe

57% believe blockchain technology will fundamentally change the way we invest in the future

Blockchain technology, too, has the ability to impact family offices. It can be used to tokenise traditional assets on the blockchain to make their management more efficient and accessible, to implement innovative administrative protocols, and more. In an interview, one member of the community revealed that he uses blockchain technology to more effectively gauge the impact of his philanthropic endeavours. With this in mind, over half (57%) of all respondents believe that blockchain technology will fundamentally change the way we invest in the future, with little variance between regions (figure 3.4).

Figure 3.4
Global trends, technology and transformation



Source: The UBS / Campden Wealth Global Family Office Survey 2019
 Note: Figures may not sum to 100% due to rounding

4. A Regional Outlook

4.1 Europe Family Office Highlights

4.2 North America Family Office Highlights

4.3 Asia-Pacific Family Office Highlights

4.4 Emerging Markets Family Office Highlights

4.1 Europe Family Office Highlights



Average family
wealth USD 1.4 billion,
average family office
AUM USD 861 million

2019 average portfolio return, 4.3%

Europe has been plagued with political and economic struggles over the past year. From the unresolved aftermath of the Brexit vote in the United Kingdom, to the budget crisis in Italy, civil unrest in France, and slowing economic growth in Germany – the powerhouses of the European Union have been under consistent strain.

In this context, family offices in Europe delivered the lowest average portfolio return this year at 4.3%, compared to a global average of 5.4% (Q1/Q2 2018 - Q1/Q2 2019). This is significantly less than the 15% European index benchmark return reported for the 2017 calendar year.

70% of Europeans believe Brexit will be negative for the UK

When family offices in Europe were asked their views about topical issues, a variety of interesting findings followed. In terms of the economy, a significant 70% of all respondents believe that Brexit will not be positive for the United Kingdom as an investment destination in the long term. Over half (54%) believe that the global economy will enter a recession by 2020, while a notable 84% hold that US/China relations will have major economic implications over the same time period.

On the political front, 84% believe that the populist trend, as has affected Italy and the United Kingdom, will remain unfazed through to at least 2020.

Europeans are the most likely to see the dangers of climate change

In terms of the environment, the majority of European respondents (68%) believe that climate change is the single greatest threat to the world; a notable proportion higher than in North America (36%). A near identical proportion (67%) believe that the majority of family offices will engage in sustainable investing by 2022, while an even greater amount (75%)

state that recycling requirements for the home / workplace should be governmentally mandated.

Artificial intelligence is set to be a major disruptive force

In the business realm, the majority of Europeans believe that artificial intelligence will be the next biggest disruptive force in global business (88%), while over half (57%) argue that blockchain technology will fundamentally change the way we invest in the future.

“We are very fond of technology in Europe. We think that it has a bright future, especially in Europe, because we see a lot of initiatives coming along on that front. It can be in food, energy or wherever else. I think technology will change the world dramatically in the near future.”

– Founder, Private Multi-Family Office, Europe

17% of European family offices have been hit by a cyber attack

Nearly one-fifth (17%) of family offices in Europe have knowingly experienced a cyber attack. The bulk of these attacks come in the form of phishing (86%), however, family offices have also been notably hit by malware and social engineering attacks (21% each).

Family offices' #1 governance priority is to establish effective investment guidelines

In terms of governance priorities for the coming 12 to 24 months, family offices ranked the establishment of investment guidelines as their number one priority (72%), while communication between the family office and family members was ranked as the top priority for family members (65%).

54% now have succession plans

On the succession front, over half of family offices in Europe now have their succession plans in place, whilst the average age for the next generation to assume control of the family wealth is 45 years old.

Figure 4.1
Key findings from European family offices

	Europe	Greater or less than the global average
Key Characteristics		
Average family wealth, SFOs	USD 1.4 billion	▲ +USD 153 million
Average AUM, SFOs	USD 861 million	▲ +USD 60 million
Proportion of family offices established since 2010	33%	▼ -1.8%
Investments		
Investment strategy	25% growth, 52% balanced, 23% preservation	▼ ▲ -0.1% growth, -4.1% balanced, +4.2% preservation
Investment allocations	32% equities, 20% private equity, 19% real estate, 15% fixed income, 3.7% hedge funds, 11% other	▼ ▲ -0.1% equities, +1.5% private equity, +2.0% real estate, -1.4% fixed income, -0.8% hedge funds, -1.2% other
Total annual performance	4.3%	▼ -1.1%
Performance by asset class	Equities (developed market) 0.4%, equities (developing market) -4.0%, private equity direct investments 15%, private equity funds 12%, real estate 7.2%, hedge funds 1.2%, fixed income (developed market) 1.2%, fixed income (developing market) -0.4%	▼ ▲ Equities (developed market) -1.7%, equities (developing market) -3.0%, private equity direct investments -1.0%, private equity funds +0.5%, real estate -2.2%, hedge funds -1.1%, fixed income (developed market) -1.7%, fixed income (developing market) -2.7%
Proportion of family offices that invests in sustainable and impact investing	39% sustainable, 29% impact	▲ ▲ +5.5% sustainable, +4.0% impact
Global Trends		
In the long-term, Brexit will be a good thing for the UK as an investment destination	30% agree, 70% disagree	▼ ▲ -7.4% agree, +7.4% disagree
The populist trend in politics in the western world will fade by 2020	16% agree, 84% disagree	▼ ▲ -0.4% agree, +0.4% disagree
US / China relations will have major economic implications in 2020	84% agree, 16% disagree	▼ ▲ -6.5% agree, +6.5% disagree
The global economy will enter a recession by 2020	54% agree, 46% disagree	▼ ▲ -1.8% agree, +1.8% disagree
Climate change is the single greatest threat to the world	68% agree, 32% disagree	▲ ▼ +14% agree, +14% disagree
Recycling requirements for the home / workplace should be governmentally mandated	75% agree, 25% disagree	▲ ▼ +9.2% agree, -9.2% disagree
The majority of family offices will engage in sustainable investing by 2022	67% agree, 33% disagree	▲ ▼ +5.0% agree, -5.0% disagree
Artificial intelligence will be the next biggest disruptive force in global business	88% agree, 12% disagree	▲ ▼ +1.1% agree, -1.1% disagree
Blockchain technology will fundamentally change the way we invest in the future	57% agree, 43% disagree	▲ ▼ +0.6% agree, -0.6% disagree
Costs		
Total average spend on services, 2019	121 basis points (74 operational costs + 47 external investment management and performance fees)	▲ ▼ +4 basis points (+7 operational costs and -3 external investment management and performance fees)
Average CEO base salary and average bonus as proportion of base salary	USD 323,000 base salary, 49% bonus	▼ ▲ -USD 12,000 base salary, +1.9% bonus
Governance & Cyber Security		
#1 family office governance priority	Investment guidelines (72%)	Risk management (investment, IT, etc.) (64%)
#1 family governance priority	Communication between the family office and family members (65%)	Communication between the family office and family members (66%)
Portion that suffered a cyber attack	17%	▼ -2.4%
The most common form of cyber attack	Phishing, 86%	Phishing, 76%
Succession Planning & Philanthropy		
Proportion with succession plans in place	54%	Same
Average age the next generation will be when they assume control of the family wealth	45 years	Same
Average annual philanthropic donation	USD 6.0 million	▼ -USD 0.4 million

Source: The UBS / Campden Wealth Global Family Office Survey 2019

4.2 North America Family Office Highlights



Average family
wealth USD 1.3 billion,
average family office
AUM USD 852 million

2019 average portfolio return, 5.9%

The family office sector in North America has benefited from the longest economic expansion in US history, 10 years and running. This year has, however, produced tempered returns compared to last. In 2017, the average portfolio return for North America was 15.9% according to the calendar year index benchmark. Based on self-reported returns, this year the average return is 5.9%.

94% believe US / China relations will have major economic implications, while 55% believe we'll hit a recession by 2020

With the US / China trade war heating up over 2019, nearly all respondents reportedly believe that these countries' relations will have a major economic impact by 2020.

"If we look at what happened recently when the trade blocks came out, everyone was sort of okay with the trade situation – at least it didn't seem to be getting worse. But, then it emerged that we are raising tariffs to 25% – and we've had some serious damage."

– Family Member and Managing Director, Single Family Office, North America

Furthermore, over half (55%) of those in North America assert that we will enter a recession by 2020.

"If there's a disruption, people retrench and don't make new investments. That is the biggest risk in our business. I've been shifting more of my public equities into illiquid, because I believe that when there is uncertainty, who knows what is going to happen."

– Founding Partner, Single Family Office, North America

"We don't have a lot of trust in things at the moment apart from bonds and private industry that we have control over."

– Family Member, Single Family Office, North America

A future rise in sustainable investment activity is predicted

Over half (54%) of respondents

in North America believe that the majority of family offices will engage in sustainable investing by 2022, while 66% believe that there is now an ample supply of opportunities to invest in green technology.

"I think that green energy is an economic winner. People are more willing now to pay a little bit more money for electricity if it comes from wind or solar."

– Chief Investment Officer, Single Family Office, North America

Meanwhile, just over a third (36%) of those in North America believe that climate change is the single greatest threat to the world; a notably lower proportion than in Europe (68%) and Asia-Pacific (61%).

Artificial intelligence is set to be a major disruptive force

On the business front, a large bulk of North Americans contend that artificial intelligence will be the next biggest disruptive force in global business (84%), while over half (57%) argue that blockchain technology will fundamentally change the way we invest in the future.

"The most exciting new technology or trend is artificial intelligence. I think there are more and more companies using true AI to solve real problems." – Founding Partner, Single Family Office, North America

Family offices' #1 governance priority is risk management

In terms of governance priorities for the coming 12 to 24 months, family offices ranked risk management as their number one priority, while communication between the family office and family members was ranked as the top priority for families.

1 in 5 have been hit by a cyber attack

Over one-fifth (22%) of family offices in North America have knowingly been hit by a cyber attack in 2019, compared to a global average of 20%. Within this cohort, the majority of these attacks come from phishing emails (65%).

Figure 4.2
Key findings from North American family offices

	North America	Greater or less than the global average
Key Characteristics		
Average family wealth, SFOs	USD 1.3 billion	▲ +USD 17 million
Average AUM, SFOs	USD 852 million	▲ +USD 50 million
Portion of family offices established since 2010	29%	▼ -5.4%
Investments		
Investment strategy	31% growth, 56% balanced, 13% preservation	▲ ▼ +5.8% growth, +0.4% balanced, -6.2% preservation
Investment allocations	38% equities, 19% private equity, 14% real estate, 14% fixed income, 6.0% hedge funds, 10% other	▲ ▼ +5.6% equities, +0.6% private equity, -2.7% real estate, -2.6% fixed income, +1.5% hedge funds, -2.3% other
Total annual performance	5.9%	▲ +0.5%
Performance by asset class	Equities (developed market) 2.9%, equities (developing market) -1.9%, private equity direct investments 16%, private equity funds 12%, real estate 11%, hedge funds 2.8%, fixed income (developed market) 3.8%, fixed income (developing market) 1.7%	▲ ▼ Equities (developed market) +0.8%, equities (developing market) -0.9%, private equity direct investments +0.4%, private equity funds +0.7%, real estate +1.6%, hedge funds +0.4%, fixed income (developed market) +0.9%, fixed income (developing market) -0.6%
Proportion of family offices that invests in sustainable and impact investing	25% sustainable, 21% impact	▼ ▼ -8.8% sustainable, -3.6% impact
Global Trends		
US / China relations will have major economic implications in 2020	94% agree, 6.5% disagree	▲ ▼ +3.1% agree, -3.1% disagree
The global economy will enter a recession by 2020	55% agree, 45% disagree	▲ ▼ +0.1% agree, -0.1% disagree
Climate change is the single greatest threat to the world	36% agree, 64% disagree	▼ ▲ -18% agree, +18% disagree
The majority of family offices will engage in sustainable investing by 2022	54% agree, 46% disagree	▼ ▲ -7.9% agree, +7.9% disagree
Artificial intelligence will be the next biggest disruptive force in global business	84% agree, 16% disagree	▼ ▲ -3.4% agree, +3.4% disagree
Blockchain technology will fundamentally change the way we invest in the future	57% agree, 43% disagree	▲ ▼ +0.6% agree, -0.6% disagree
Costs		
Total average spend on services, 2019	105 basis points (57 operational costs + 48 external investment management and performance fees)	▼ -13 basis points (-10 operational costs and -2.3 external investment management and performance fees)
Average CEO base salary and average bonus as proportion of base salary	USD 408,000 base salary, 52% bonus	▲ +USD 73,000 base salary, +4.3% bonus
Governance & Cyber Security		
#1 family office governance priority	Risk management (investment, IT, etc.) (64%)	Risk management (investment, IT, etc.) (64%)
#1 family governance priority	Communication between the family office and family members (67%)	Communication between the family office and family members (66%)
Portion that suffered a cyber attack	22%	▲ +2.8%
The most common form of cyber attack	Phishing, 65%	Phishing, 76%
Succession Planning & Philanthropy		
Proportion with succession plans in place	48%	▼ -6.2%
Average age the next generation will be when they assume control of the family wealth	47 years	▲ +2 years
Average annual philanthropic donation	USD 7.5 million	▲ USD 1.0 million

Source: The UBS / Campden Wealth Global Family Office Survey 2019

4.3 Asia-Pacific Family Office Highlights



**Average family
wealth USD 908 million,
average family office
AUM USD 600 million**

2019 average family office portfolio return, 6.2%

For 2019, a key term to describe Asia-Pacific's investment landscape – and the global investment world more broadly – is 'market correction'.

To illustrate, in 2017 the average global family office portfolio return stood at a stark 15.5%, with family offices in Asia-Pacific heralding the highest average return, 16.4% (based on calendar year index data). This was, in great part, spurred by tremendous returns emanating from both the equities and private equity markets, which generated a 38% global average return for developing market equities, 23% for developed market equities, and 18% for each direct and fund-based private equity.

As a result of market correction, along with a number of factors such as the US/China trade war, returns have fallen over the year. In Asia-Pacific, based on self-reported returns, the average portfolio return stood at 6.2% in Q2 2019. This is compared to a 2019 global average of 5.4%. This performance was, in-part, a result of a decline in the performance of equities, with developed and developing markets returning averages of 3.3% and 3.4%, respectively.

A shift towards wealth preservation

In a related trend, families in Asia are shifting towards greater wealth preservation. At present, 23% of Asia-Pacific based family offices are pursuing a preservationist investment strategy, up from 7.7% last year (Global Family Office Report 2018). This reflects a shift in ideology, as families – many of whom generated their wealth in recent years – are starting to concern themselves more greatly with safeguarding their wealth, rather than focusing on higher risk growth-based investing.

93% in APAC believe US / China relations will have major economic implications in 2020

Views towards the economy are also somewhat unsettled at present,

particularly as a result of the flaring US/China trade war, which has had a chilling effect on business and investment, and has, in the opinion of some foreign leaders and business executives, further propelled the economic slowdown. As a consequence, nearly all (93%) of family office executives in Asia-Pacific asserted that US/China relations will have major economic implications in 2020; the highest proportion of any region.

48% believe there should be age limits on succession

On a separate matter, interestingly, when family office executives were asked whether families should set age limits whereby patriarchs / matriarchs must relinquish control to the next generation, nearly half (48%) agreed that they should.

“There should be age limits to succession – otherwise you risk alienating a generation, and it growing stale, and never having had the chance.”

– Director, Single Family Office, Asia

Roughly half of families in Asia-Pacific now have succession plans

With succession being a particularly challenging topic in parts of Asia, where open conversations about the next generation taking over can still be a taboo subject, it is encouraging to find that as of 2019, about half (49%) of families there now have succession plans in place (5% lower than the global average).

16% of family offices have knowingly been hit by a cyber attack...

...compared to a global average of 20%. According to Campden Wealth's Private & Confidential: The Cyber Security Report (2017), family offices in Asia-Pacific were also the least likely to have cyber security plans in place. This suggests that those in Asia-Pacific, in particular, would be wise to ensure that sufficient safeguards are put in place to protect their private and confidential information.

Figure 4.3
Key findings from Asia-Pacific family offices

	Asia-Pacific	Greater or less than the global average
Key Characteristics		
Average family wealth, SFOs	USD 908 million	▼ -USD 377 million
Average AUM, SFOs	USD 600 million	▼ -USD 201 million
Portion of family offices established since 2010	39%	▲ +4.0%
Investments		
Investment strategy	19% growth, 57% balanced, 23% preservation	▼ ▲ -5.7% growth, +1.2% balanced, +4.4% preservation
Investment allocations	28% equities, 16% private equity, 17% real estate, 20% fixed income, 2.9% hedge funds, 16% other	▼ ▲ -4.2 equities, -2.8% private equity, +0.7% real estate, +4.3% fixed income, -1.5% hedge funds, +3.7% other
Total annual performance	6.2%	▲ +0.8%
Performance by asset class	Equities (developed market) 3.3%, equities (developing market) 3.4%, private equity direct investments 19%, private equity funds 9.0%, real estate 8.9%, hedge funds 3.3%, fixed income (developed market) 3.4%, fixed income (developing market) 4.9%	▲ ▼ Equities (developed market) +1.2%, equities (developing market) +4.4%, private equity direct investments +2.9%, private equity funds -2.2%, real estate -0.5%, hedge funds +1.0%, fixed income (developed market) +0.4%, fixed income (developing market) +2.5%
Proportion of family offices that invests in sustainable and impact investing	40% sustainable, 25% impact	▲ ▼ +6.2% sustainable, -0.1 impact
Global Trends		
Families should set age limits whereby patriarchs / matriarchs must relinquish control to the next generation	48% agree, 52% disagree	▲ ▼ +9.5% agree, -9.5% disagree
US / China relations will have major economic implications in 2020	93% agree, 7.0% disagree	▲ ▼ +3.0% agree, -3.0 disagree
The global economy will enter a recession by 2020	56% agree, 44% disagree	▲ ▼ +0.5% agree, -0.5% disagree
Climate change is the single greatest threat to the world	61% agree, 39% disagree	▲ ▼ +7.4% agree, -7.4% disagree
The majority of family offices will engage in sustainable investing by 2022	64% agree, 36% disagree	▲ ▼ +1.6% agree, -1.6% disagree
Artificial intelligence will be the next biggest disruptive force in global business	87% agree, 13% disagree	▼ ▲ -0.3% agree, +0.3% disagree
Blockchain technology will fundamentally change the way we invest in the future	55% agree, 45% disagree	▼ ▲ -2.2% agree, +2.2% disagree
Costs		
Total average spend on services, 2019	123 basis points (78 operational costs + 45 external investment management and performance fees)	▲ +6 basis points (+11 operational costs and -5 external investment management and performance fees)
Average CEO base salary and average bonus as proportion of base salary	USD 225,000 base salary, 32% bonus	▼ -USD 111,000 base salary, -15% bonus
Governance & Cyber Security		
#1 family office governance priority	Risk management (investment, IT, etc.) (68%)	Risk management (investment, IT, etc.) (64%)
#1 family governance priority	Communication between the family office and family members (73%)	Communication between the family office and family members (66%)
Portion that suffered a cyber attack	16%	▼ -3.7%
The most common form of cyber attack	Phishing, 88%	Phishing, 76%
Succession Planning & Philanthropy		
Proportion with succession plans in place	49%	▼ - 5.2%
Average age the next generation will be when they assume control of the family wealth	41 years	▼ -4 years
Average annual philanthropic donation	USD 2.7 million	▼ -USD 3.8 million

Source: The UBS / Campden Wealth Global Family Office Survey 2019

4.4 Emerging Markets Family Office Office Highlights



**Average family
wealth USD 885 million,
average family office
AUM USD 676 million**

2019 average portfolio return, 6.2%

Like the other regions, the Emerging Markets have been similarly hit by a slowing global economy. Although certain countries like Argentina, Tunisia, Bahrain, and Jordan, have been particularly vulnerable to an economic slump in 2019, overall, the Emerging Markets have performed relatively well compared to their regional peers.

Their total average family office portfolio return stood at 6.2% over Q1/Q2 2018 – Q1/Q2 2019. This is marginally higher than the 5.4% global average.

The asset classes that performed the best were private equity direct investing (12% average return), real estate (11%), private equity funds (10%), and REITs (6.0%). Those with the weakest returns were hedge funds (1.6%), agriculture (3.5%), and other commodities (-1.0%).

56% believe that growth in the emerging world will decline by 2020

In terms of attitudes towards the economy, over half of respondents in the Emerging Markets (56%) believe that growth in the emerging world will slow by 2020, while 67% believe that we will enter a recession by the same year. When one family member from South America was asked if she believed that we will soon enter a recession she said:

"I'm just feeling a lot of uncertainty. We've been grappling with that question a lot, not only with our portfolios but as a family in terms of how aggressive we want to be. Should we put our money in the stock market? Should we put it in real estate? Should we put it in our business? We've worked hard to deleverage our family business over the past two years to prepare, just in case there is a recession. As a family, we can't afford to be super-aggressive; we're fourth generation

and we also just moved from an incredibly volatile country in South America to the United States. We've had enough volatility and super-high risk."

*– Family Member, Single Family Office,
South America and North America*

53% report there are not enough green technology opportunities

Environmentally the Emerging Markets are harvesting positive shoots of growth for sustainable investing, as roughly one-third (32%) of the family offices within this region report that they are currently investing sustainably. There are also calls for further investment opportunities, as over half (53%) of respondents reported that there are currently not enough options available for families interested in green technology.

This desire for opportunities is reflected by the fact that: 69% of respondents believe that the majority of family offices will invest sustainably by 2022; 47% attest that climate change is the single greatest threat to the world; and 83% argue that it is untrue that green energy will never surpass fossil fuel. This setting, in fact, provides a ripe backdrop for potential growth within the Emerging Markets' sustainability and impact space.

95% believe artificial intelligence will have a major impact on business

Another area of optimism lies in the technology realm, as practically all family office respondents from the Emerging Markets – 95%, the highest proportion of any region – believe that artificial intelligence will be the next biggest disruptive force in global business. Additionally, over half (56%) believe that blockchain technology will fundamentally change the way we invest in the future.

Figure 4.4
Key findings from Emerging Markets family offices

	Emerging Markets	Greater or less than the global average
Key Characteristics		
Average family wealth, SFOs	USD 885 million	▼ -USD 400 million
Average AUM, SFOs	USD 676 million	▼ -USD 125 million
Portion of family offices established since 2010	56%	▲ +21%
Investments		
Investment strategy	15% growth, 67% balanced, 19% preservation	▼ ▲ -10% growth, +11% balanced, -0.4% preservation
Investment allocations	19% equities, 17% private equity, 19% real estate, 23% fixed income, 4.8% hedge funds, 18% other	-13% equities, -1.3% private equity, +2.2% real estate, +6.7% fixed income, +0.3% hedge funds, +6% other
Total annual performance	6.2%	▲ +0.8%
Performance by asset class	Equities (developed market) 3.0%, equities (developing market) 3.2%, private equity direct investments 12%, private equity funds 10%, real estate 11%, hedge funds 1.6%, fixed income (developed market) 3.6%, fixed income (developing market) 4.4%	▲ ▼ Equities (developed market) +0.9%, equities (developing market) +4.2%, private equity direct investments -3.7%, private equity funds -1.1%, real estate +1.1%, hedge funds -0.7%, fixed income (developed market) +0.7%, fixed income (developing market) +2.0%
Proportion of family offices that invests in sustainable and impact investing	32% sustainable, 24% impact	▼ ▼ -2.0% sustainable, -0.8% impact
Global Trends		
Growth in the emerging world will decline by 2020	56% agree, 44% disagree	▲ ▼ + 15% agree, -15% disagree
The global economy will enter a recession by 2020	67% agree, 33% disagree	▲ ▼ +11% agree, -11% disagree
Climate change is the single greatest threat to the world	47% agree, 53% disagree	▼ ▲ -6.5% agree, +6.5% disagree
There are not enough opportunities for families to invest in green technology	53% agree, 47% disagree	▲ ▼ +17% agree, -17% disagree
The majority of family offices will engage in sustainable investing by 2022	69% agree, 31% disagree	▲ ▼ +6.7% agree, -6.7% disagree
Artificial intelligence will be the next biggest disruptive force in global business	95% agree, 5% disagree	▲ ▼ +7.5% agree, -7.5% disagree
Blockchain technology will fundamentally change the way we invest in the future	56% agree, 44% disagree	▼ ▲ -1.2% agree, +1.2% disagree
Costs		
Total average spend on services, 2019	103 basis points (54 operational costs + 49 external investment management and performance fees)	▼ -14 basis points (-13 operational costs and -1 external investment management and performance fees)
Average CEO base salary and average bonus as proportion of base salary	USD 314,000 base salary, 57% bonus	▼ ▲ -USD 21,000 base salary, +9.3% bonus
Governance & Cyber Security		
#1 family office governance priority	Investment guidelines (59%)	Risk management (investment, IT, etc.) (64%)
#1 family governance priority	Communication between the family office and family members (50%); Education of family members regarding family office activities (50%)	Communication between the family office and family members (66%)
Succession Planning & Philanthropy		
Proportion with succession plans in place	44%	▼ - 10%
Average age the next generation will be when they assume control of the family wealth	43 years	▼ -2 years
Average annual philanthropic donation	USD 3.6 million	▼ -USD 2.8 million

Source: The UBS / Campden Wealth Global Family Office Survey 2019

Technological disruptions and the family office space

Interview with a founding partner of a single family office in North America

We are experiencing a period of transformative technological change. Artificial intelligence, the Internet of Things (IoT), blockchain, and virtual reality, amongst other technological solutions, are transforming the family office space in two ways: First, they widen the areas in which family offices focus their investments. Second, they transform the ways in which family offices operate.

Are you only investing in technology?

Yes, and we think that the most exciting new technology is AI. Although I think it's still misunderstood, ultimately, there are more and more companies using true AI to solve real problems. For example, we invested in a company which uses AI to predict when a bus might break down. It was a success; the local transit authority of the city where we pitched it bought it immediately. The interesting thing is that it combines AI with human judgement, using what is called 'human in the loop'. To explain, AI alerts a technician about potential problems, resulting in human intervention. This technician, in turn, feeds back to the computer its correct and incorrect predictions, and the programme learns and adapts to refine its abilities to predict.

What is your investment strategy in this area?

We see co-investing as key. We build relationships with seed funds, angel funds, our LLPs, etc. Our

co-investors send us proposals they find interesting. However, since most family offices don't have the expertise to value early stage venture investments, co-investing makes sense. This is an area in which direct investments are too risky, and when you don't have enough staff it is difficult to build a robust financial model. Most family offices, hence, invest in a later stage of the process, when companies start to take off.

How does your strategy deal with risk, uncertainty, and economic cycles?

We're investing in things that generally are not affected by markets. Take the case of elderly care for example, we invested in AI solutions to prevent elderly people from falling. These solutions will work no matter what the market does. People will need to keep the bus from breaking down when it comes to public transport, which is less sensitive to market fluctuations. In other words, we focus on products and services which are less consumer-driven, less susceptible to bubble bursts.

Are technological trends influencing your ways of working?

First, we are witnessing a movement away from focusing on Silicon Valley, New York, and Boston to Israel and a few other places in the world. Venture capital is following this trend. For example, two of the companies we fund are completely virtual, "they hire the smartest people in the world and we have them placed in Eastern Europe and Latin America". Second, this trend also influences our ways of working. For example, we only go to the office one or two days a week, even though we all live within 30 minutes of the office. The world is becoming more virtual, and family offices are also moving along these lines.

5. Family Office Structures

5.1 Family Office Costs

5.2 Family Office Human Capital

5.1 Family Office Costs

- In 2019, family offices' total average spend on services stood at USD 11.8 million. This includes USD 6.8 million in operational costs and USD 5.1 million in external investment management administration and performance fees.
- Family offices spent an average of: USD 1.5 million (14 basis points) on general advisory services; USD 2.5 million (25 basis points) on investment-related activities; USD 1.0 million (10 basis points) on family professional services, and USD 1.7 million (17 basis points) on administration activities.
- Family offices are, on average, spending less this year on internal investment-related services (USD 2.5 million), and more on family professional services (USD 1.0 million) and general advisory services (USD 1.5 million).

Family offices' 2019 average spend on services, USD 11.8m

Once again this year, the Global Family Office Report outlines the average costs family offices incur on their operations and external investment management.

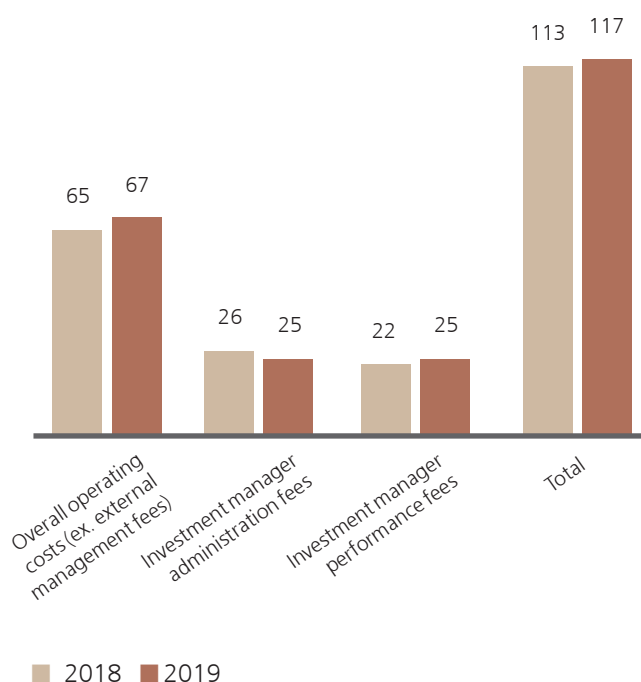
This year, family offices spent an average of 117 basis points (bps) of AUM on services (up slightly from the 113 bps spent last year). This consisted of 67 bps on operating costs (i.e. general advisory, investment, family professional, and administration related services), and 50 bps on external investment management administration and performance fees (compared with 65 and 48 bps, respectively, last year) (figure 5.1).

North America and Emerging Markets have the lowest operating costs

Similar to last year, family offices in North America and the Emerging Markets have reported the lowest average operating costs. In North America, operating costs average 57 bps, while external investment management and administration fees average 25 and 23 bps, respectively. In the Emerging Markets, the numbers are 54, 25, and 24 bps, respectively (figure 5.2).

Figure 5.1

Family offices' overall operating costs in basis points (SFO + MFO), 2018 and 2019



Source: The UBS / Campden Wealth Global Family Office Survey 2019

Figure 5.2
Family offices' overall costs in basis points

Average	Region				AUM (USD)		
	Europe	North America	Asia-Pacific	Emerging Markets	<USD 250m	USD 251m-1bn	>USD 1bn
Overall operating costs (ex. management fees)	74	57	78	54	70	61	68
External investment management administration fees	24	23	23	24	22	27	25
External investment management performance fees	23	25	22	25	22	26	25
Total cost	121	105	123	103	114	114	118

Source: The UBS / Campden Wealth Global Family Office Survey 2019

General description of service categories

Family professional services

Family governance and succession planning; support for new family business and other projects; concierge services and security; family counselling / relationship management; management of high-value physical assets (e.g. property, yachts, art, aircrafts); entrepreneurial projects; education planning; next generation mentoring; entrepreneurship; communication between generations.

Administrative services

Accounting; bookkeeping; mail sorting; office overheads; IT costs; management of contracts.

General advisory services

Financial planning; tax planning; trust management; legal services; estate planning; insurance planning.

Investment related activities

Asset allocation; traditional investments; manager selection / oversight; real estate direct investment; financial accounting / reporting; alternative investments; investment banking functions; risk management; global custody and integrated investment reporting; private banking; foreign exchange management; philanthropy.

Spend increasing on family professional and general advisory services...

Broadly speaking, family offices are spending more on family professional services this year, USD 1.0 million in 2019 compared to USD 784,000 in 2018 (figure 5.3). This includes additional spend on all categories within this area, including family governance and succession planning, family counselling, concierge services and security, support for new family businesses, and the management of high-value physical assets.

They are also allocating slightly more to general advisory services, averaging USD 1.5 million in 2019 compared to USD 1.4 million in 2018. This increase stems from heightened spend in financial and estate planning, and trust management.

...but decreasing on investment-related services

Family offices are, however, spending less on investment-related services (USD 2.5 million in 2019 versus USD 2.9 million in 2018). The most notable categories where investment has been reduced are traditional investment, alternative investment, real estate, and FX management. The only category where investment-related spend noticeably increased was investment banking functions.

It should be noted that these figures are only ballpark-accurate and only indicative of changes in spend. On the latter, each year this survey is administered, roughly two-thirds of all respondents differ from the previous year - and as the sample group changes, there is some fluidity in the results. Furthermore, this year, family offices were asked to provide two years of data, for 2018 and 2019, therefore the 2018 data was not taken from last year's report, and so in turn should not be directly compared to previous editions. Where statistics from the 2018 Global Family Office Report are noted, explicit reference to it is made.

Family offices balance in-house and outsourced work

Most family offices provide the bulk of their services in-house rather than relying on external service providers. With that said, it is very common for family offices to find a balance between those services that can be best managed internally versus those which require outside support and expertise.

For instance, echoing the pattern from last year, family offices tend to do their financial planning, asset allocation, risk management, manager selection and oversight, and financial accounting and reporting

themselves. They most frequently outsource their legal services, private banking, insurance planning, and global custody and integrated investment reporting.

The services that are most often provided through a balance of both in-house and outside resources include tax planning, estate planning, and investment banking functions (i.e. deal sourcing, due diligence, capital structuring, etc.) (figure 5.4).

Each family office needs to find the right balance for them, weighing both costs and capabilities. This balance can change as the family decides to scale up or scale back their operations, or expand internationally.

"We used to manage everything in-house. That was until about three years ago – we completely got out of that and decided to hire outside managers to do the actual investing and picking of our stock. If we were to bring all of that back in-house, in the United States, it would be cost-prohibitive."

– Executive Director, Single Family Office, North America

"It is challenging to attract top talent to our small coastal community. In turn, we outsource a lot. We have a money manager, a relationship manager, and a traditional broker / dealer. We own a variety of stocks, international and municipal debt, and we have invested in a fund. It's all the things that I don't have the expertise to invest in or time to manage. We've been very pleased with the results."

– Managing Partner, Single Family Office, North America

"In the United States, normally we are not deeply connected to the private equity business, so the chance of getting access to those managers is very poor. Also, due diligence-wise, it is quite hard to do it out of Europe. Therefore, we have hired an investment adviser who specialises in the business and who helps us."

– CEO, Single Family Office, Europe

"With regard to family office costs, globally, the laws and regulations just keep coming fast and furious. That means that legal bills will continue to go up. I also think that front office services will continue to move in-house – families are asking, why should they delegate? But in terms of the back office, the more people can delegate, the happier they are. Now there are more vendors and families who realise that there are professionals working in the space who can help."

– Director, Multi-Family Office, Asia-Pacific

Figure 5.3
SFO and MFO costs of individual services from main service categories (USD)

	TOTAL SFO + MFO			SFO			MFO		
	Proportion of operating costs in %	Operating cost of each service (BP)	Operating cost for the average FO (USD)*	Proportion of operating costs in %	Operating cost of each service (BP)	Operating cost for the average FO (USD)*	Proportion of operating costs in %	Operating cost of each service (BP)	Operating cost for the average FO (USD)
General advisory services	22	14	1,515,000	21	14	1,196,000	25	16	2,474,000
Financial planning		4.3	469,000		3.7	313,000		6.1	936,000
Tax planning		3.2	332,000		3.2	273,000		3.3	506,000
Estate planning		1.8	202,000		1.5	130,000		2.7	416,000
Legal services		2.4	237,000		2.6	220,000		1.9	285,000
Insurance planning		0.7	75,000		0.8	65,000		0.7	104,000
Trust management		2.1	202,000		2.3	194,000		1.5	227,000
Investment related activities	38	25	2,543,000	38	25	2,155,000	38	24	3,707,000
Asset allocation		4.7	512,000		4.1	353,000		6.4	990,000
Risk management		2.0	219,000		1.9	160,000		2.6	396,000
Manager selection / oversight		2.9	316,000		2.7	230,000		3.7	574,000
Private banking		1.1	107,000		1.2	100,000		0.8	127,000
Traditional investment		1.8	182,000		1.8	158,000		1.7	256,000
Alternative investment		2.4	235,000		2.5	218,000		1.9	285,000
Real estate		2.8	269,000		3.2	276,000		1.6	245,000
Investment banking functions		1.4	144,000		1.4	121,000		1.4	214,000
Financial accounting / reporting		3.4	331,000		3.8	326,000		2.2	345,000
Global custody and integrated investment reporting		1.0	98,000		1.1	91,000		0.8	119,000
FX management		0.3	29,000		0.3	24,000		0.3	47,000
Philanthropy		1.0	101,000		1.1	98,000		0.7	110,000
Family professional services	15	10	1,041,000	15	10	838,000	17	11	1,650,000
Concierge services and security		1.5	144,000		1.8	151,000		0.8	123,000
Family counselling / relationship management		1.2	134,000		1.1	92,000		1.7	260,000
Family governance and succession planning		2.6	290,000		2.3	197,000		3.7	566,000
Management of high-value physical assets (e.g. property, art, yachts)		2.0	209,000		2.0	175,000		2.0	312,000
Support for new family business & other projects		2.6	264,000		2.6	222,000		2.5	388,000
Administrative activities	25	17	1,654,000	27	18	1,534,000	20	13	2,015,000
IT costs		2.3	224,000		2.4	207,000		1.8	275,000
Office overheads		6.3	637,000		6.5	555,000		5.7	882,000
Accounting		5.3	522,000		5.8	495,000		3.9	603,000
Other office services		2.8	271,000		3.2	277,000		1.7	255,000
TOTAL:		66	6,753,000		67	5,722,000		64	9,846,000
Administration / management		24	2,510,000		23	2,061,000		25	3,854,000
Performance		25	2,549,000		26	2,322,000		21	3,231,000

Source: The UBS / Campden Wealth Global Family Office Survey 2019. Notes: Figures may not sum to 100% due to rounding. Total costs (bps) do not match those in Figure 5.1 because the numbers in Figure 5.3 are based on participants who provided more data.

Figure 5.4
Family offices' management of services – in-house, outsourced or both

	In-house	Outsourced	Both	If 'Both', what percentage (%) is In-house?
General advisory				
Financial planning	62%	10%	28%	58%
Tax planning	24%	33%	43%	48%
Estate planning	27%	24%	49%	46%
Legal services	4.2%	63%	33%	35%
Insurance planning	23%	49%	27%	39%
Trust management	42%	29%	28%	41%
Investment related activities				
Asset allocation	73%	11%	17%	57%
Risk management	64%	12%	24%	50%
Manager selection / oversight	66%	11%	23%	58%
Private banking	25%	63%	13%	50%
Traditional investment	55%	20%	25%	52%
Alternative investment	58%	14%	28%	52%
Real estate	58%	20%	22%	56%
Investment banking functions (deal sourcing, due diligence, capital structuring, exits)	39%	20%	41%	46%
Financial accounting / reporting	64%	13%	23%	67%
Global custody and integrated investment reporting	24%	52%	24%	59%
FX management	48%	45%	7.1%	45%
Philanthropy	65%	15%	20%	49%
Family professional services				
Concierge services and security	65%	16%	19%	54%
Family counselling / relationship management	60%	19%	21%	57%
Family governance and succession planning	63%	6.8%	31%	59%
Management of high-value physical assets (e.g. property, art, yachts)	61%	15%	24%	47%
Support for new family business and other projects	79%	6.3%	15%	60%
Administrative services				
IT costs	31%	52%	17%	37%
Office overheads	82%	8.7%	10%	56%
Accounting	62%	18%	20%	55%
Other office services	66%	10%	24%	51%

Source: The UBS / Campden Wealth Global Family Office Survey 2019
Note: Figures may not total 100% due to rounding

5.2 Family Office Human Capital

Key survey findings:

- In 2019, the average base salaries across family office C-suite staff were: CEO USD 335,000, CIO USD 266,000, COO USD 213,000, and CFO USD 208,000. Including bonuses, the total salaries paid out were: CEO USD 496,000, CIO USD 399,000, COO USD 277,000, and CFO USD 275,000.
- 16% of family offices have now adopted diversity targets for their hiring, up from 14% in 2018.

CEOs' average total salary stands at USD 496,000 globally

CEOs' average base salary in 2019 stood at USD 335,000 worldwide, up 3.7% from 2018. With the average bonus standing at 48%, CEOs' total remuneration (excluding other benefits or investment incentives) totals USD 496,000 (figures 5.5 / 5.6).

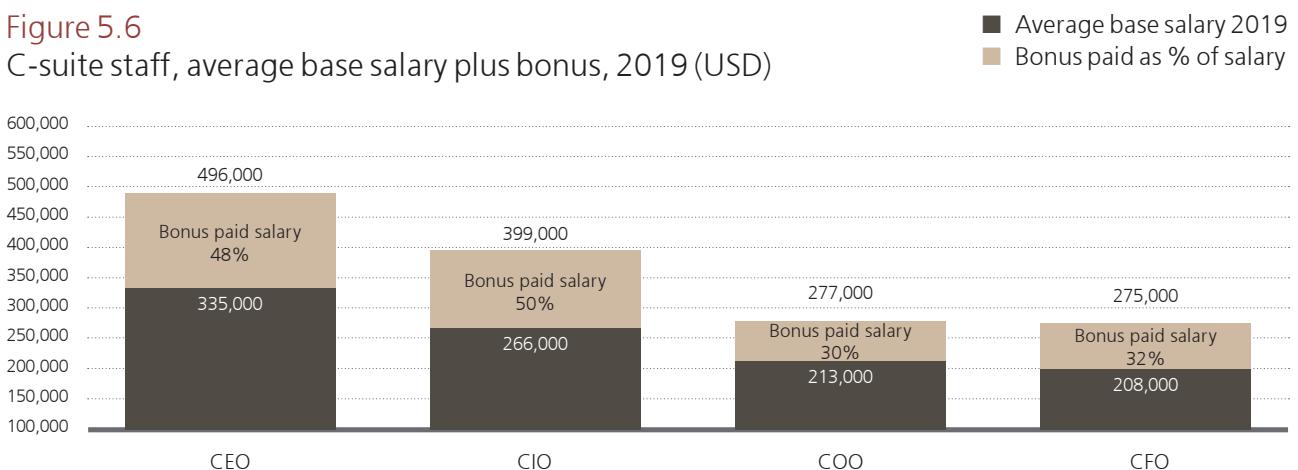
The next highest paid post is that of a CIO, which has an average base salary of USD 266,000 or USD 399,000 including bonus. COOs and CFOs received similar levels of compensation this year after bonuses are factored in at USD 277,000 and USD 275,000, respectively.

Figure 5.5
C-suite staff average base salary, 2018 and 2019 (USD)

	Average base salary 2018	Average base salary 2019	Percentage change
Chief Executive Officer (CEO)	324,000	335,000	3.7%
Chief Investment Officer (CIO)	250,000	266,000	6.0%
Chief Operations Officer (COO)	203,000	213,000	4.7%
Chief Financial Officer (CFO)	194,000	208,000	7.4%

Source: The UBS / Campden Wealth Global Family Office Survey 2019

Figure 5.6
C-suite staff, average base salary plus bonus, 2019 (USD)



Source: The UBS / Campden Wealth Global Family Office Survey 2019

CEOs in North America receive the highest salaries

In terms of regional differences, CEOs in North America were paid the highest average base salaries (USD 408,000), followed by those in Europe (USD 323,000), the Emerging Markets (USD 314,000), and Asia-Pacific (USD 225,000) (Figure 5.7). The CEOs in North America also received one of the highest bonuses as a proportion of their base salaries (52%) (Figure 5.8).

Bonuses are often discretionary

Staff bonuses at the C-suite level are often discretionary. This is most often the case with CFOs and COOs, as over half of respondents (55% and 52% respectively) reported that their team members' bonuses are discretionary, compared to just 9.0% and 15% respectively who stated that they were formulaic (figure 5.9).

There has also been a shift this year with employers utilising more discretionary bonuses. For instance, 44% of this year's sample of CEOs received a discretionary

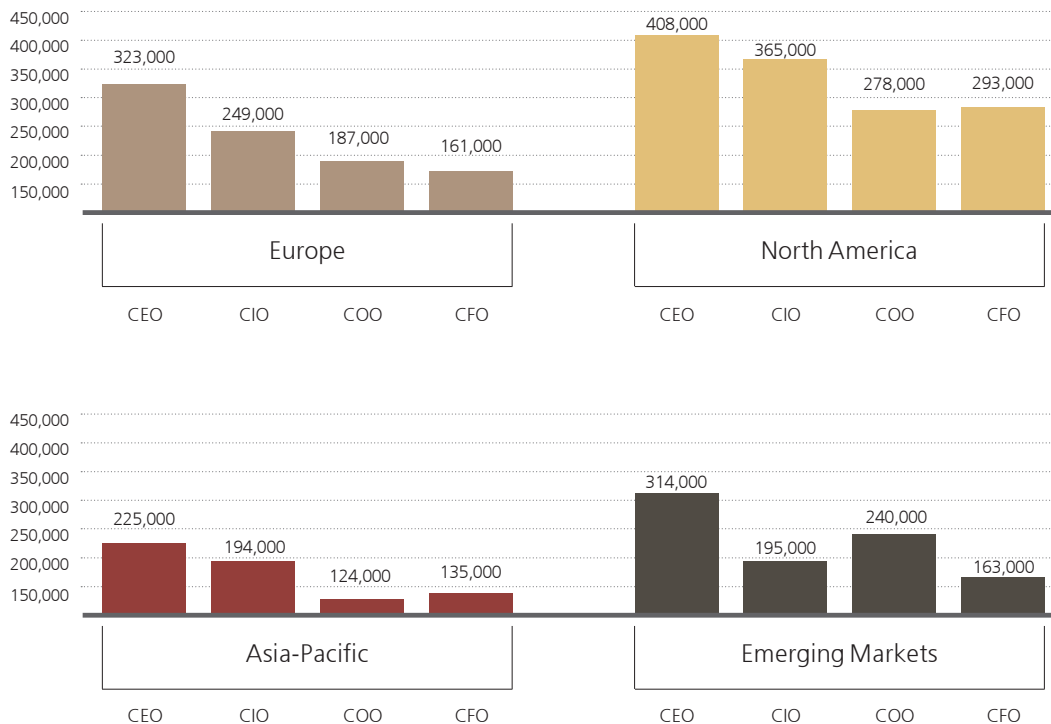
bonus compared to 32% of last year's, and 35% of CIOs received a discretionary bonus this year compared to 20% last year.

Another relatively common form of compensation is a mixed approach, whereby the bonus is an amalgamation of both discretion and formulaically set targets and / or proportional profit sharing. One-quarter (25%) of CEOs' bonuses are mixed, along with 27% of CIOs. Fewer COOs (17%) and CFOs (18%) have mixed bonuses; instead they are predominantly discretionary.

16% of family offices have diversity targets, 76% do not

Reflecting a broader move towards the adoption of diversity targets in wider corporate and government circles, 16% of family offices now have diversity targets in place within their hiring remits (figure 5.10). This is an increase of 2 percentage points from last year's Global Family Office Report.

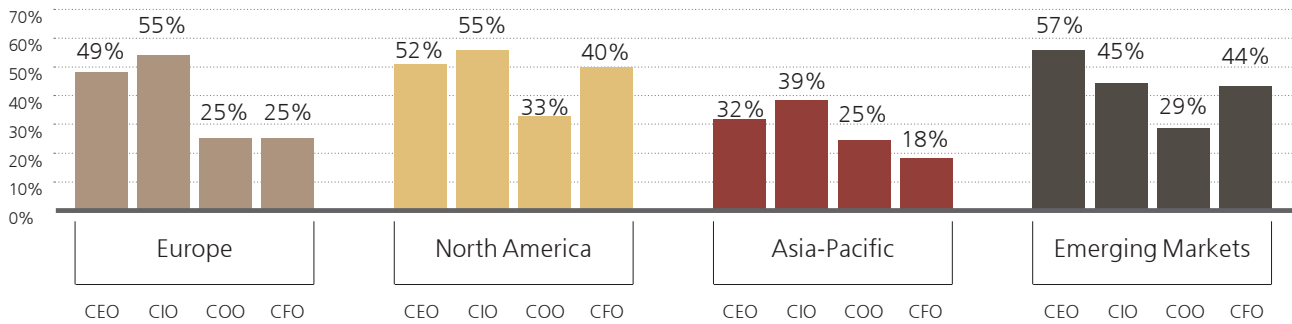
Figure 5.7
Base salary of key family office personnel by region (USD)



Source: The UBS / Campden Wealth Global Family Office Survey 2019
Note: Numbers in the Emerging Markets should be treated with caution due to small sample size.

Figure 5.8

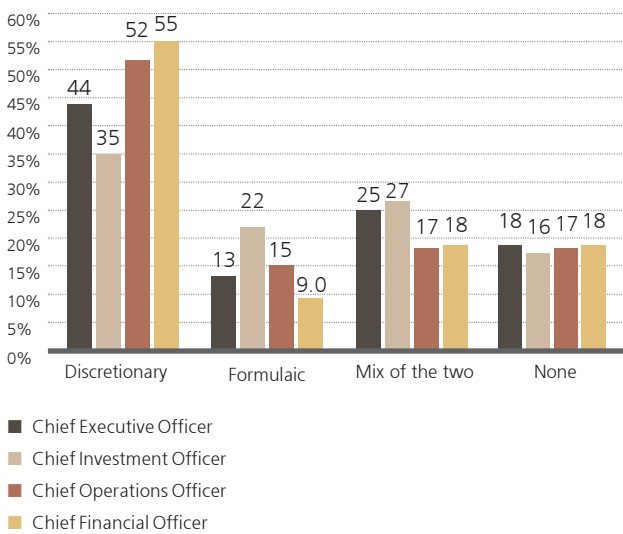
Value of bonus paid out as percentage of base salary by region



Source: The UBS / Campden Wealth Global Family Office Survey 2019
 Note: Figures may not sum to 100% due to rounding

Figure 5.9

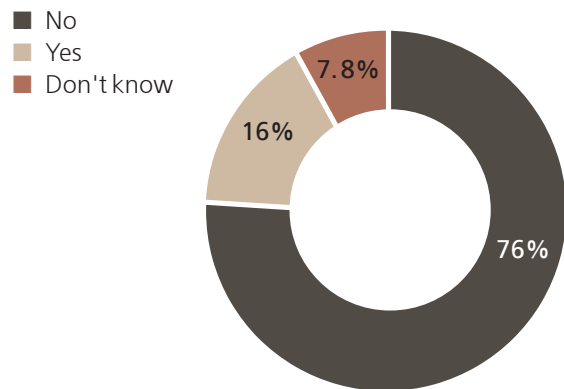
Bonus type



Source: The UBS / Campden Wealth Global Family Office Survey 2019
 Note: Figures may not sum to 100% due to rounding

Figure 5.10

Percentage of family offices with diversity targets in place



Source: The UBS / Campden Wealth Global Family Office Survey 2019
 Note: Figures may not total 100% due to rounding

6. Family Office Purpose

6.1 Governance, Risk, and Cyber Security

6.2 Succession Planning and the Next Generation

6.3 Philanthropy

6.1 Governance, Risk, and Cyber Security

Key survey findings:

- As a sign of growing maturity, family offices are increasingly putting governance structures in place to further professionalise their operations. At present, between 62% and 74% of family offices have different forms of investment guidelines and monitoring strategies in place; 54% have mission statements, and 54% provide market monitoring and analysis services.
- One-fifth of family offices have knowingly experienced a cyber security attack. By far, the most common form of attack is phishing (legitimate-looking email scam) (76%), followed by malware (installation of malicious software) (33%), and social engineering (specific targeting of an individual) (33%). To mitigate such attacks, family offices often employ expert support or external advisory services (78%), and provide back-up / disaster recovery (76%), user education / awareness training (69%), and monitoring services (also 69%).
- Improving communication between the family members and family office is the number one governance priority for families over the next 12 to 24 months (66%), while risk management (e.g. investment, IT, etc.) is the number one priority for family offices (64%).

Governance and Risk

As the family office space matures, governance structures are often put in place or are made more sophisticated as staff adopt more institutionalised practices. Often, when family offices are initially established, they offer only limited investment-related services. Over time, the offices expand their offerings to include other services that are useful to families, such as succession or mission planning. These elements often become more robust as families increasingly concern themselves with long-term multi-generational planning and legacy building. In the words of one family office executive:

“Very simply, there is a financial capital pillar, social capital pillar, intellectual capital pillar, and a cultural capital pillar - and all of them need to be nurtured if a family is to preserve its legacy in the broader sense over the long-term.”

– Partner, Multi-Family Office, Europe

The bulk of family offices have investment-related governance structures

At present, 74% of all family offices have investment guidelines in place, 67% offer control plans for monitoring investments, 62% provide investment process guidelines to aid tactical asset allocation decisions, 54% have mission

statements, 34% have formal written succession plans, and 30% have operational manuals which govern their portfolio construction decisions (figure 6.1).

Some others, especially newly-established family offices, are still trying to find their feet in terms of governance and have yet to implement their structures. In such cases, it might be fruitful to seek outside advice, as was expressed by one single family office executive:

“We have no expertise in governance, we need someone to facilitate it. These things need to be done with a lot of engagement, and it is often helpful to have an external party be the facilitator.”

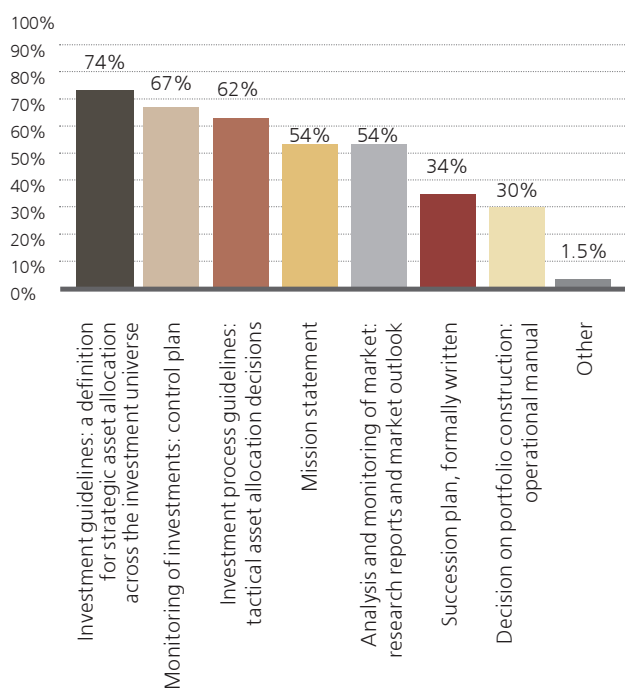
– Director, Single Family Office, Emerging Markets

Another family office executive noted that, while he comes from a small family, there are still various basic governance structures that it would be beneficial to incorporate:

“We are a very, very small family, but something like a family general assembly or a board of shareholders would be useful to have, plus a constitution.”

– Family Member, Single Family Office, Emerging Markets

Figure 6.1
The governance structures family offices currently have in place



Source: The UBS / Campden Wealth Global Family Office Survey 2019
Note: Figures may not total 100% due to rounding

Risk management is the #1 priority for family offices...

Looking forward, family offices have reported that their top governance priorities for the next 12 to 24 months relate to risk management (64%), installing effective investment guidelines (62%), managing the oversight of human capital (39%), implementing control policies (35%), and re-designing the board and/or the key responsibilities of senior staff (35%) (figure 6.2). In relation to risk, two family office executives remarked:

“Very few families actually have a formal process for identifying and mitigating risk, whether it is intergenerational risk or other types of risk. Investment risk is generally the one area the investment committee has probably covered reasonably well, but that is only one area amongst many different types of risk that the family might need to consider.”
– Partner, Multi-Family Office, Europe

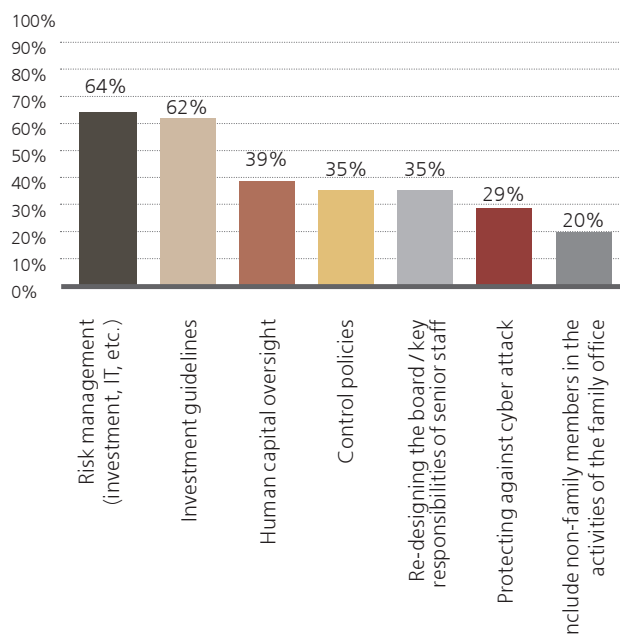
“When we talk about the risks our families are currently facing, none of the top five are financial. Instead they are about a lack of leadership, a lack of planning, intergenerational disputes, things of that nature.”
– Partner, Multi-Family Office, Europe

In terms of human capital oversight, this can be challenging when both family members and outside professionals are

involved. The way one family has dealt with the integration of family members into its operations is described here:

“There were so many cousins, therefore generation two created a series of qualifications that were required if you are a family member who wants into the operation.”
– Family Member, Single Family Office, North America

Figure 6.2
Governance priorities for the family office in the next 12-24 months



Source: The UBS / Campden Wealth Global Family Office Survey 2019
Note: Figures may not total 100% due to rounding

...while effective communication is the #1 priority for families

The core governance priorities for families over the next 12 to 24 months include improving communication between the family office and family members (66%), educating family members about the activities of the family office (55%), implementing a succession plan (46%), and educating family members about how to become responsible shareholders and stewards of the family wealth (44%) (figure 6.3). The head of one single family office commented:

“The family has set up a really good and fully-fledged family governance structure. It includes family values, governance, and communication. It also includes a very concrete investment policy.”
– Managing Partner, Single Family Office, Europe

In the words of two other family office executives in relation to succession planning:

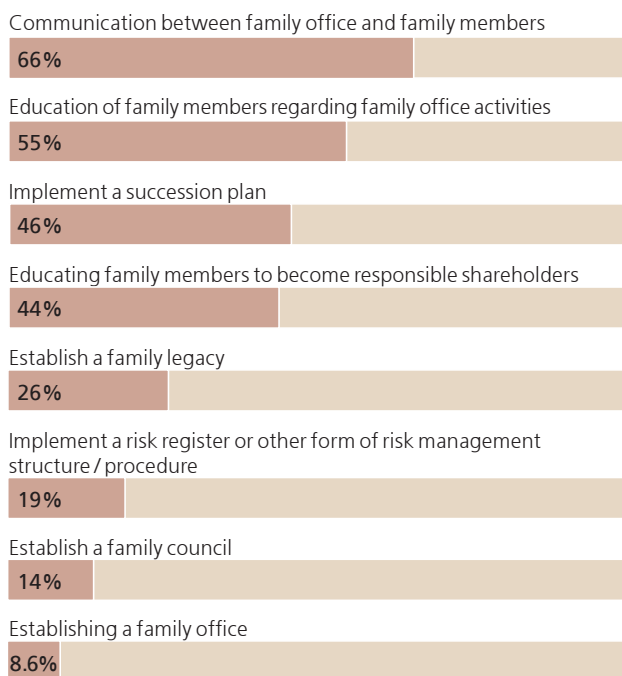
“Instead of it being autocratic, an individual selected by the current leader, we are starting to see a very significant shift to selection by committee. This takes account of skills that a particular individual may have, along with the role of outside advisers in the process.”

– Partner, Multi-Family Office, Europe

“There is a need for intergenerational strategies and planning. Certainly there is increased awareness of the necessity for that type of advice, counselling, and planning.”

– Partner, Multi-Family Office, Europe

Figure 6.3
Governance priorities for the family in the next 12 to 24 months



Source: The UBS / Campden Wealth Global Family Office Survey 2019
Note: Figures may not sum to 100% because respondents can select multiple options

Cyber Security

20% of family offices knowingly suffered a cyber attack

It is difficult to be insulated from the growing news coverage over recent years about cyber security attacks. From the hacking of the Democratic National Committee during the 2016 presidential election in the United States, to the theft of 500 million Yahoo! users’ account data announced in 2016, new forms of technology-driven risk now permeate our business and public affairs – and family offices are not exempt.

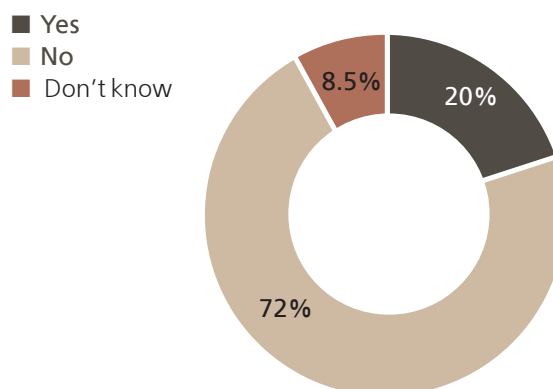
When those studied here were asked whether they have suffered a cyber security attack, 20% said yes, 72% said no, and 8.5% were unsure (figure 6.4). In reality, the number of those who have been attacked is likely higher, as cyber operations are often covert, leaving a proportion of victims unaware of the assault on their systems. As one family office executive stated:

“To our knowledge, we have not suffered a cyber attack - but I’m sure many happen without the victim knowing.”

– Director, Single Family Office, Emerging Markets

Furthermore, Campden Wealth published a report entitled Private and Confidential: the Cyber Security Report in 2017, and a notably higher proportion, 32% of the family offices, claimed to have experienced a cyber attack. This was 10% greater than the proportion of family businesses which were knowingly attacked, suggesting a potential skew towards the targeting of family offices, which are associated with the management of substantial wealth and assets.

Figure 6.4
Whether family offices have knowingly experienced a cyber attack

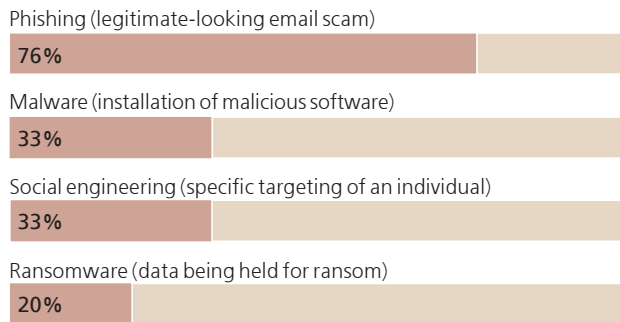


Source: The UBS / Campden Wealth Global Family Office Survey 2019
Note: The sample size for the Emerging Markets was too small to produce indicative results

Phishing is the most common form of attack

The most common forms of attack, as experienced by the family offices within this report, were: phishing, which is a legitimate looking email scam (76%); malware, which is the installation of malicious software onto others’ systems (33%); social engineering, which is where specific individuals are misled into giving up their personal information (33%); and ransomware, which includes the holding of others’ data for ransom (20%) (figure 6.5).

Figure 6.5
Nature of cyber attacks on family offices



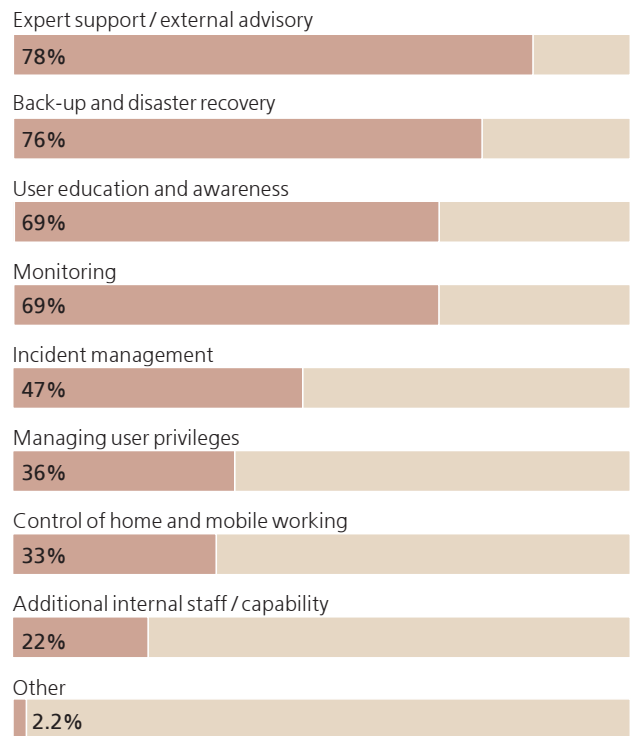
Source: The UBS / Campden Wealth Global Family Office Survey 2019
Note: The sample size for the Emerging Markets was too small to produce indicative results

78% rely on security experts for support

Given the growing commonality of cyber threats, family offices are increasingly putting systems in place to safeguard themselves. At present, 78% are utilising external advisory services or experts for support, 76% have back-up and disaster recovery, 69% offer their staff education and awareness training, and 69% rely on security monitoring services (figure 6.6). One family office executive from North America remarked:

“After we suffered a cyber attack, we changed our vendor and they dramatically strengthened our firewalls and approach to IT. For a small family office, we invest a substantial amount of resources monthly to make sure that they are monitoring all access to our websites, as well as our internal IT functions. I never thought I would be spending the kind of money I spend each month just on cyber security.”
– Family Member and Managing Partner, Single Family Office, North America

Figure 6.6
Precautions taken to protect against cyber attacks



Source: The UBS / Campden Wealth Global Family Office Survey 2019
Note: Figures may not sum to 100% because respondents can select multiple options

Another family office executive offered a word of advice to the community:

“After we were hit by a cyber attack we had to change all of the computers in our office because they were all manufactured to operate on Windows 7. Windows 10 is now out and at some point this year Microsoft will no longer send out security patches on Microsoft 7. Therefore, if you’re not changed over to Microsoft 10 with the new security service and patchworks, you’re going to be totally vulnerable to hackers.”
– Family Member and Managing Director, Single Family Office, North America

The next generation - how appetite for sustainable and impact investment triggers changes in governance

Interview with the principal of a private multi-family office, Europe

The next generation of wealth holders is increasingly inclined to invest in areas in which, in addition to generating financial returns for their families, they can create a positive impact for society at large. With growing concerns about the negative effects of climate change, green technology is increasing in popularity.

You allocate between 25% and 49% of your portfolio to sustainable investments. Is this a conscious choice by the families within your group?

Yes, that is correct, especially for the next generation. Since they are younger and have a longer-term horizon, they are very interested in investments with a certain impact on society. It is not that they don't want to generate a return, but they see returns in a different way, not only financially but also societally. As a result, we are moving into that direction, as we see the need to respond to that demand.

Do you see any challenges in terms of governance?

Demands for transparency are becoming common, and this comes again from the next generation. Older people seem to be more discrete with their wealth; whereas the next generation is saying: "If we can do something for society, why would we hide our wealth?"

This has triggered a shift in mentality in the older generations in recent years, and I progressively see them being more open, more willing to see themselves as a transitional owner of wealth that will have to give it to the next generation. This, in turn, makes it easier to plan for succession.

How involved is the next generation in families' business affairs?

Younger generations are more willing to create social impact and become more involved in both the family business and financial decisions. They want to have more responsibility earlier on, and we need to help the generations by creating councils or similar spaces where everybody is invited and information is exchanged openly.

I see more families willing to engage in these exercises, and I think it is a natural process that results from the fact that the millennials are more active, more outspoken about the need for societal change, and they want to be involved.

6.2 Family Office Succession Planning and the Next Generation

Key survey findings:

- Over half (54%) of family offices now have a succession plan in place, up a considerable 11 percentage points from the figure reported in last year's report.
- Some of the most significant challenges family offices highlighted in relation to succession planning were discomfort in discussing sensitive matters (37%), the patriarch / matriarch being unwilling to relinquish control (33%), and the next generation not being qualified enough to manage the family wealth (31%). In a similar vein, nearly half (47%) of respondents said the next generation was currently either somewhat (29%) or very (18%) unprepared for future succession, suggesting that additional training / mentoring could prove beneficial.
- Reflecting the fact that we are in the midst of a generational transition, respondents reported that 28% of Next Gens took control of the family wealth within the last 10 years, while 37% are expected to take control within the next 10 years. In fact, 36% reportedly already hold executive or management positions within the family office and 25% sit on the board.
- The average age globally for the succession of the next generation is 45 years old. On a regional basis, the average age in North America is 47 years, 45 in Europe, 43 in Emerging Markets, and 41 in Asia-Pacific.

Over half of families now have succession plans

Just as baby boomers once came into the fold to take over the reins of stewardship for the family wealth, we are now in the midst of another generational transition. It consists, namely, of those from generations X (born 1965 – 1979) and Y (millennials, born 1980 – 1996).

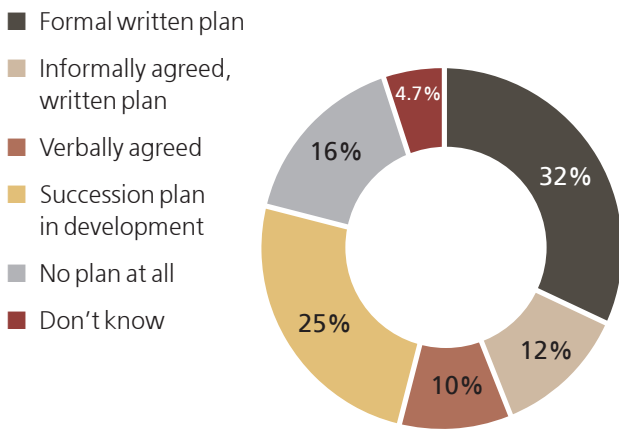
The Global Family Office Report has been tracking this transition over the years. In 2016, it was revealed that nearly 70% of family offices were expecting a generational transition to occur within the next 15 years. However, in 2017, less than half of families had a succession plan in place. In turn, a call was put out to encourage families to prepare for generational succession.

In 2018, the report found that 29% of family offices already had Next Gens in executive or management positions, and 23% had them on the board. Yet, still less than half of families had finished their long-term succession planning.

Today, it is encouraging to report that over half (54%) of families now have a succession plan in place, up a notable 11 percentage points from 2018 (figure 6.7).

It is, however, also important to note that just 32% of these plans are formally written. Twelve percent are merely informally agreed, written plans, while 10% are verbal and without written documentation. With that said, to mitigate the confusion which may arise in the event that a loved one passes away or becomes ill, it is important that the current generation leave clear guidance as to the wishes they hold surrounding the management of their wealth, businesses, and assets. The most forward thinking families prepare for succession many years in advance, so there is no time like the present to get ahead.

Figure 6.7
Succession plan status



Source: The UBS / Campden Wealth Global Family Office Survey 2019
Note: Figures may not sum to 100% due to rounding

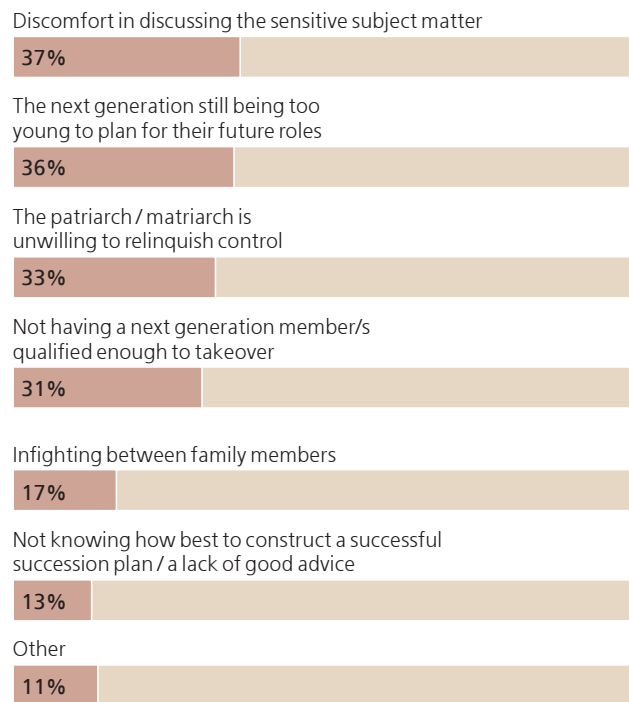
Discomfort in discussing succession is the biggest challenge

Families can find it uncomfortable to discuss succession, as it can be a sensitive matter. When family offices were asked what the greatest challenges to succession planning were, conversational discomfort was ranked number one, as reported by 37% of respondents. The fact that the next generation is still too young to plan for their future roles came in close second (36%), followed by the patriarch / matriarch being unwilling to relinquish control (33%), and the next generation not being qualified enough to take over the management of the family wealth (31%) (figure 6.8). In relation to the need for the relinquishing of control, one family office executive remarked:

“There has to be a willingness of the first generation to start relinquishing control and understanding that this is a process, and over a period of time they have to do management and leadership development that they would do with an operating company.”

– Managing Partner, Multi-Family Office, North America

Figure 6.8
Challenges families face with regard to succession planning



Source: The UBS / Campden Wealth Global Family Office Survey 2019
Note: Figures may not sum to 100% because respondents can select multiple options

It is not the next generation, it's her

Interview with a managing partner of a multi-family office in North America who deals with generational transitions

There is a general consensus in the family office space about the difficulties surrounding generational transitions and succession planning. However, as our interviewee explained, it has been often overlooked that, in many cases, before the next generation takes control, it is the wife who will be in charge of the family wealth.

How did you come to this conclusion?

I have come to this conclusion through years of experience combined with my own digging. Women, on average, have longer life expectancies than men, while men often marry younger women. So, there's a very high likelihood that the woman is going to inherit the wealth before it goes to the kids. Thus, when advising families on issues of transition, it is important to place some emphasis on the women in the family. In many cases, before dealing with the tensions generated by the transition, families might need support dealing with a situation in which, due to unforeseen circumstances such as death, illness, or divorce, women end up suddenly in charge of the family wealth, often without the required experience.

How difficult is it for the women?

The situation can generate a great deal of anxiety. We carried out research which showed that, in many cases, the husband was very successful and accomplished in wealth management, and the woman felt comfortable delegating most financial decisions to him. In other cases such as divorce, the situation can be particularly challenging for women, since not only is she divorced, but she doesn't have an attorney, she doesn't have money managers, she doesn't have an accountant, etc.

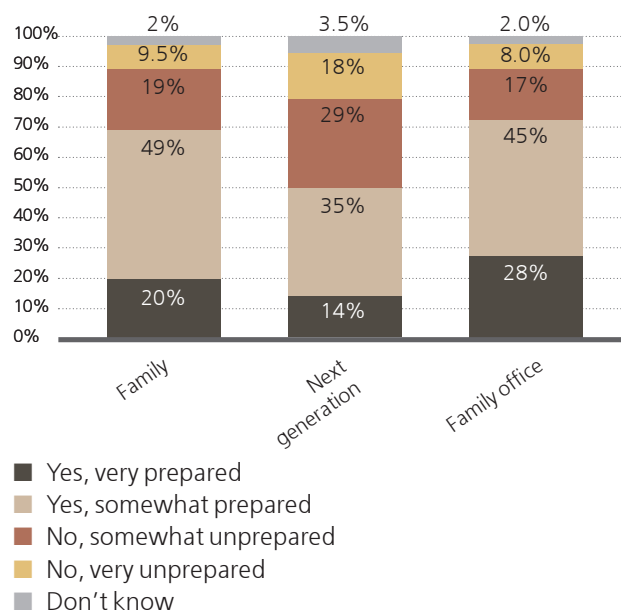
How do you help the women?

First, we need to have an accurate map of all the assets owned by the family. Second, it is important to map the management and governance structures. Who has the power to make decisions about what? Are there things inside holding companies, are they in trusts? Finally, we need to map the family itself, who are the key players and what roles do they play? In the end, this will give you a multi-dimensional image, something like an MRI of the family. This information will be the basis for a planning exercise, with which execution should allow these women to become more secure about what they have, and ready to make decisions about the future. The idea is to make these women feel in control of themselves financially, which is an extremely liberating and empowering experience.

The Next Generation

This leads to a more direct discussion about how Next Gens are being prepared to become good stewards of the family legacy. At present, 73% of family offices report being either very or somewhat prepared for succession. This is followed by 69% of families and just 49% of the next generation (figure 6.9). Given that one would presumably like to be 'very prepared' when ultimately taking over from the current generation, it raises a red flag that only 14% of Next Gens are actually considered 'very prepared', along with just 20% of families, and 28% of family offices.

Figure 6.9
Preparation levels for succession by type



Source: The UBS / Campden Wealth Global Family Office Survey 2019
Note: Figures may not sum to 100% due to rounding

The average age a Next Gen assumes control of the family wealth is 45 years

When respondents were asked what age the next generation was / or will be when they take control of the family wealth, 40% said in their forties, 27% said in their thirties, and 18% said in their fifties. The average age globally was 45.

Succession happens the latest in North America, earliest in Asia-Pacific

On a regional basis, next generations are, on average, 47 years old when they assume control of the family wealth in North America, 45 years in Europe, 43 years in the Emerging Markets, and 41 years in Asia-Pacific (figure 6.10).

Figure 6.10

Age the next generation was / will be when they assume control of the family wealth, by region

	Europe	North America	Asia-Pacific	Emerging Markets	Global
20s	0%	1.3%	4.7%	5.3%	1.9%
30s	22%	21%	49%	26%	27%
40s	46%	39%	30%	47%	40%
50s	23%	18%	12%	16%	18%
60s	0%	8%	0%	0%	2.9%
70s	0%	1.3%	2.3%	0%	1.0%
Average	45 years	47 years	41 years	43 years	45 years
N/A	8.7%	12%	2.3%	5.3%	8.2%

Source: The UBS / Campden Wealth Global Family Office Survey 2019
 Note: Figures may not sum to 100% due to rounding

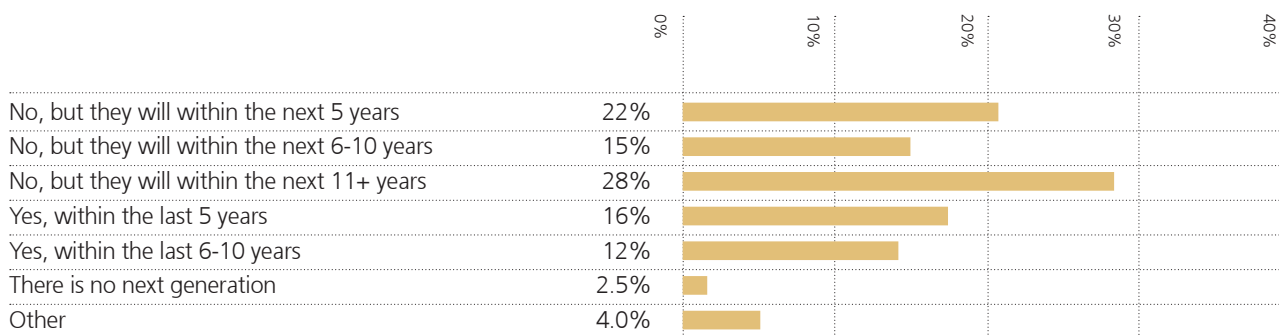
38% will take over in the next 10 years; 28% already have

Timing wise, over one-quarter (28%) of Next Gens have already taken over; they did so within the last 10 years.

Another third (37%) will assume control within the next 10 years, followed by 28% who will do so in 11+ years (figure 6.11).

Figure 6.11

Whether the next generation has assumed control of the family wealth



Source: The UBS / Campden Wealth Global Family Office Survey 2019
 Note: Figures may not sum to 100% due to rounding

Philanthropy can teach Next Gens about wealth

One area where Next Gens are often brought into the fold is philanthropy. Philanthropic giving and initiative structuring can be a fruitful way to educate younger family members about the way the family operates. It can help them learn about project sourcing, planning, budgeting, performance, and broader management skills. It can also teach them fundamental lessons about the family’s values, what it means to be part of a family legacy, and the general need for giving back to society. It is due to reasons such as these that nearly one-quarter (24%) of family offices currently work with the next generation on philanthropic matters.

A quarter have a Next Gen on the board

Other means of gaining experience include giving Next Gens management or executive roles within the family

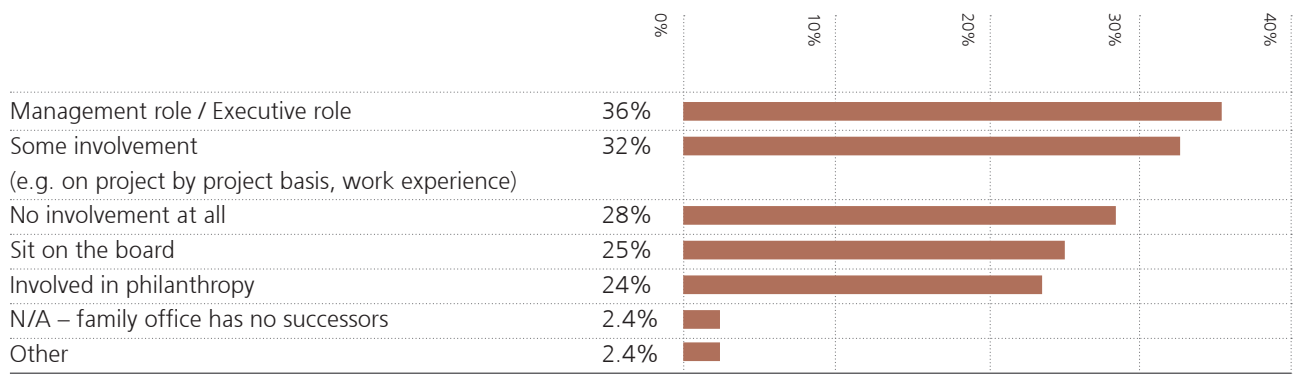
office or providing them with an opportunity to sit on the board – something that over a third (36%) and a quarter (25%) currently do, respectively (Figure 6.12).

Regardless of what lessons the current generation wants to bestow on their children, personal time and mentorship are amongst the most important gifts and tools for learning that any child – young or grown up – can receive. In the words of one family office executive:

“When the patriarch is alive and savvy, it is priceless for the next generation to have the opportunity to listen to how he thinks, what his rationale is.”

–Managing Partner, Multi-Family Office, North America

Figure 6.12
Next generation involvement in the family office



Source: The UBS / Campden Wealth Global Family Office Survey 2019
Note: Figures need not sum to 100% because respondents can select multiple options

6.3 Philanthropy

Key survey findings:

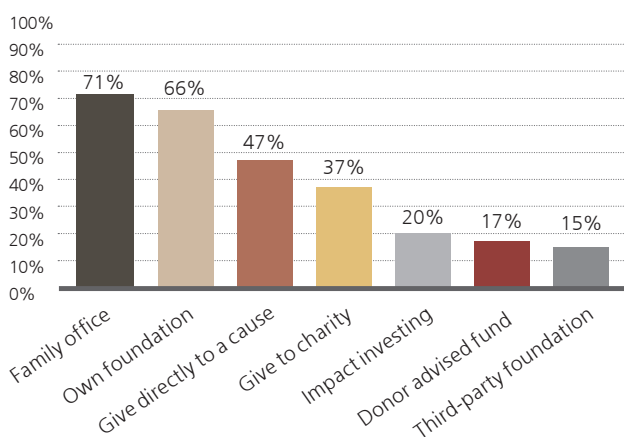
- Families reportedly gave, on average, USD 6.4 million via their family office to philanthropy over the last 12 months. The bulk of families, 61%, gave less than USD 1 million; 23% gave between USD 1 million and USD 5 million, and 16% gave USD 5 million or more.
- The top causes families support are education and health (90%), followed by economic and social impact (45%), and the environment (33%).
- To highlight areas that could be beneficial to focus on in the future, respondents were asked what key challenges families face in their philanthropic giving. Difficulties in identifying good organisations to support (58%), how best to measure the impact of philanthropic initiatives (54%), and how to effectively scale-up successful projects (25%) were most frequently mentioned.

71% of family offices are engaged in philanthropy

Families of wealth have a long tradition of philanthropic giving, as exemplified by the fact that 66% of those surveyed proclaimed that the families they support have family foundations.

There are, however, alternative routes to giving. Nearly half (47%) of families give directly to causes, 37% give via charities, and 17% give through donor advised funds. Family offices provide an additional outlet for philanthropic engagement, and a reported 71% are being used for this means (figure 6.13).

Figure 6.13
Vehicles used for philanthropic giving



Source: The UBS / Campden Wealth Global Family Office Survey 2019
Note: Figures may not sum to 100% because respondents can select multiple options

42% have a philanthropic strategy in place

In terms of having a strategy for philanthropic endeavours, such as a 'time-limited' or 'giving in perpetuity' style strategy, 42% of family offices report that they manage their giving with a clear strategy and focus. Roughly a quarter (26%) manage the philanthropic activities without such focus (figure 6.14).

Figure 6.14
Whether the family office manages the family's philanthropic activities

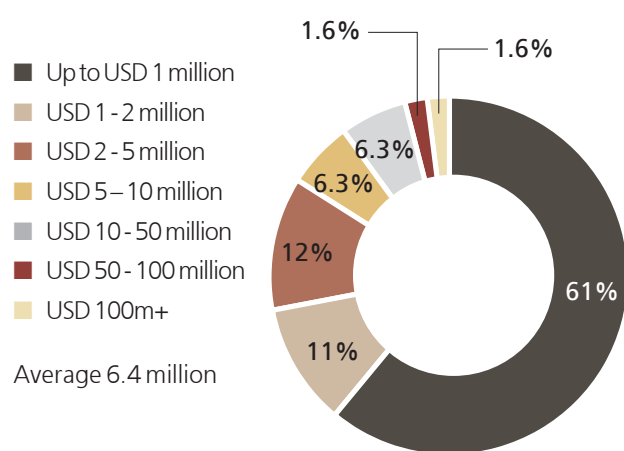


Source: The UBS / Campden Wealth Global Family Office Survey 2019

Annual philanthropic giving averaged USD 6.4 million

Globally, the average amount family offices gave over the last 12 months was USD 6.4 million. This was, however, skewed upwards by a relatively small portion of family offices (3.2%) that gave USD 50 million or more. The majority, 61%, of family offices reportedly gave less than USD 1 million a year. Another near quarter (23%) gave between USD 1 million and USD 5 million (figure 6.15).

Figure 6.15
The amount the family office gave to philanthropy over the last 12 months (USD)



Source: The UBS / Campden Wealth Global Family Office Survey 2019

Families in North America gave the most

This year, family offices in North America surpassed those in Europe and gave the most philanthropically at USD 7.5 million. One family office executive from the region remarked:

“If there is a windfall of profits, instead of being paid out, we give it to our foundation. We do not, by nature, take very large salaries.”

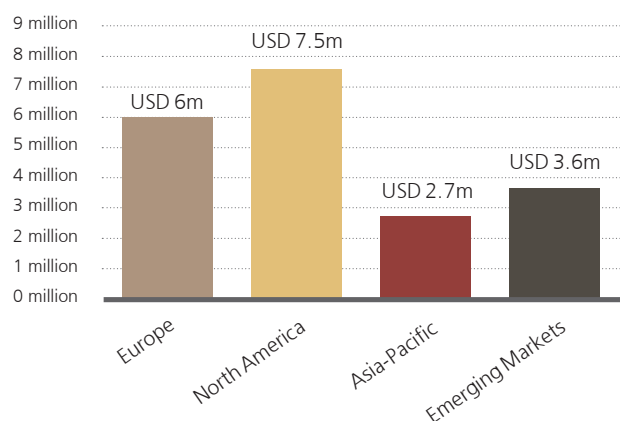
— Founder, Single Family Office, North America

Giving levels in Europe followed those in North America at USD 6.0 million, while the Emerging Markets gave an average of USD 3.6 million, and Asia-Pacific USD 2.7 million (figure 6.16).

In the opinion of one interviewee from Asia, philanthropic donations in Asia-Pacific might be the lowest because much of the wealth there has been created very recently, and so the current generation are the original wealth creators, who are busy running the operating businesses they founded, rather than being in a position to benefit from legacy wealth. The prediction is that once additional generations come into the fold in Asia, who get to benefit from the work the initial generation did to establish the family business, more time and money will be spent on philanthropic endeavours.

It is also important to note that these figures represent funds given via the family offices. The total amount families gave this year would be higher if they also gave through other philanthropic vehicles, such as foundations, as we know that many do.

Figure 6.16
Average philanthropic donation from family offices, by region (USD)



Source: The UBS / Campden Wealth Global Family Office Survey 2019

Education and health are the most supported causes

In previous years, the Global Family Office Report research has found that education tops the list of causes families support. This year is no different. Nearly all respondents (90%) reportedly give to education and health, 45% give to economic and social impact, and 33% give to environmental causes (figure 6.17).

Figure 6.17
The causes philanthropically supported

Education and health (e.g. childhood development, primary / secondary education, further education, health)	90%
Economic and social impact (e.g. financial inclusion, entrepreneurship, economic and community development, research (including scientific research), arts, culture, sports)	45%
Environment (e.g. climate change, conservation and animal rights, food security / agriculture)	33%
Political and civil (e.g. human rights / civil liberties, religious causes)	17%
Conflict and peace (e.g. international and global affairs, peace / conflict resolution, disaster relief)	11%
Other	4.9%

Source: The UBS / Campden Wealth Global Family Office Survey 2019
Note: Figures may not sum to 100% because respondents can select multiple options

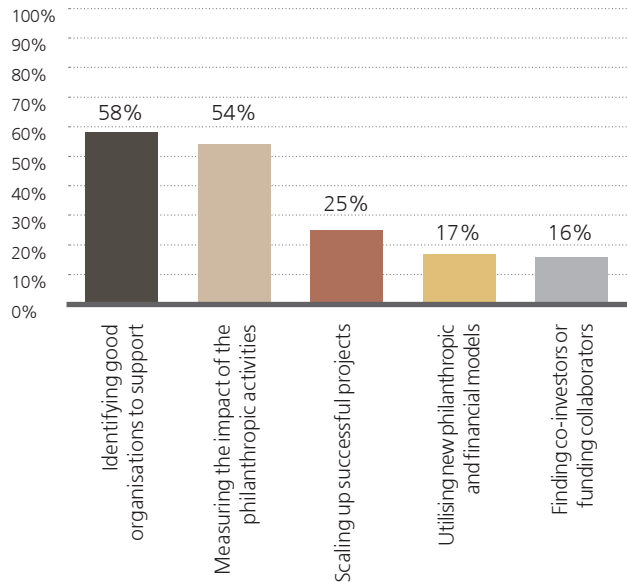
Finding good organisations to support is a key challenge

The greatest challenges families face when trying to give include how best to identify good organisations to support, as denoted by 58% of respondents, followed by how to effectively measure impact (54%), and how to scale-up successful projects (25%) (figure 6.18). In the words of one family office executive:

“People sometimes see philanthropy run very poorly, where a lot of money basically goes into the garbage when it could otherwise be put to better use.”

– Portfolio Analyst, Multi-Family Office, North America

Figure 6.18
The greatest challenges the family currently faces in their philanthropy



Source: The UBS / Campden Wealth Global Family Office Survey 2019
Note: Figures may not sum to 100% because respondents can select multiple options

7. Conclusion

7.1 Advice for the Future

7.1 Advice for the Future

Look to prepare yourself should the economic climate turn

A notable 56% of family office executives are anticipating a recession by 2020. In response, a number of family offices are preparing themselves with safeguards to mitigate loss and/or to strike at new opportunities. Nearly half of those surveyed (45%) are currently re-aligning their investment strategy to mitigate risk or capitalise on opportunistic events (42%). Another two-fifths (42%) are increasing their cash reserves, while a fifth (22%) are reducing their leverage exposure within their investments.

Families who are not yet prepared for the next economic downturn might benefit from discussing where their key risks lie should the economy go south, and how best to strategise for long-term wealth preservation and growth.

Consider getting a robust cyber security plan

One-fifth (20%) of family office executives have reportedly been hit by a cyber attack, up from 15% as reported in the 2016 Global Family Office Report. As few are immune to the growing threat of cyber invasions, it is important that family offices safeguard themselves from prospective threats.

The most common form of attack is phishing; however, this form of interference can often be fended off through staff education and awareness training. The next most common forms of cyber attacks are malware and social engineering; again two areas that can often be combated through awareness training. Despite this fact, nearly a third (31%) of family offices do not provide such training.

It is, however, common for them to solicit expert support / an external advisory (78%), and to equip their systems with back-up disaster recovery (76%); both crucial elements.

But, more can be done, such as to formulate a strategy should a significant attack hit. How quickly and effectively you respond to an invasion can have a significant impact on the resulting loss or damage caused. It can also be helpful to ensure that you are not just covered at the office, but that cyber controls are put in place when staff are working at home or while mobile.

Decisions about which precautions to take are important. In turn, this is not a topic that should just be left up to

an IT team. It is a discussion that should be had right up through the most senior members of the family office.

Look into sustainable investing

At present, just over a third (34%) of all family offices globally invest sustainably. Amongst this cohort, 19% of their average portfolio is dedicated to sustainable investment – and this number is predicted to rise to 32% within the next five years. Furthermore, 62% of all respondents believe that the majority of family offices will invest sustainably by 2022.

With sustainable investing clearly embedding itself as a core trend for the future – and the fact that 85% of all sustainable investments met or exceeded expectations over the last year – more family offices might want to look into this alternative form of globally beneficial investing.

Stay technologically aware and relevant

A remarkable 87% of all respondents agree that artificial intelligence will be the next biggest disruptive force in global business. Another 56% believe that blockchain technology will fundamentally change the way we invest in the future. But how can this – and is this – impacting the family office space?

One member of the community revealed that he uses blockchain technology to more effectively gauge the impact of his philanthropic endeavours. It can also be used to implement innovative administrative protocols, to tokenise traditional assets on the blockchain to make their management more efficient and accessible, and more.

Artificial intelligence and machine learning – also major disruptive forces in business – are beginning to create waves that may dramatically alter the family office space in a host of different ways. It has the power to revolutionise family offices' financial planning, investment strategies, risk measures, and legal, regulatory, and clerical duties. For example, Big Data can fuel artificial intelligence to provide in-depth market insights and recommendations for tactics to maximise returns. It can also store, organise, and re-organise mass quantities of data to offer up-to-date customised solutions. It furthermore can impact family offices in terms of reducing costs and overheads, increasing speed, and helping to mitigate risk.

In the last decade, family offices have been moving front-office services in-house as they grow increasingly comfortable with using these new technologies; as FinTech firms emerge and become established, and as the cost of using the new technologies falls, we may see further financial disintermediation. We will, at least, see an evolution in how family offices use banks and other financial service providers.

Due to the power of these evolving technologies – and families’ underlying interest in preserving wealth through the generations – it is important to stay abreast of the latest technology and how it can be used to enhance family offices’ effectiveness and efficiency.

Address succession head on

For the first time, the Global Family Office Report can announce that over half (54%) of families now have their succession plans in place. Whilst this is encouraging, many families are still without plans, and a notable proportion (22%) of those who do have plans have not ensured that they are legally binding, or even written down. Given that life can sometimes take unpredictable turns, there is no time like the present to get prepared. The most forward thinking families can plan for succession decades in advance, instilling both long-term and short-term (contingency) plans. Some tips for a successful succession are:

- Review the wider legacy plan, along with the needs specific to succession.
- Define a model for future leadership and identify the core issues to tackle.
- Identify the salient skills needed for future leadership.
- Define and implement a fair and robust process for leader selection.
- Educate future leaders in advance of them assuming their roles.
- Design a system for leadership performance reviews.
- Prepare for the execution of a clean succession.

If you are looking to set up a family office, get the right advice

As noted within this report, the family office space is expanding rapidly. But, this does not mean that a family office is right for everyone.

Family offices can be expensive to operate. In turn, broadly speaking, we recommend that single family offices are best served for families with wealth of at least USD 150 million. Those with less wealth might be better served by a private multi-family office, where costs can be split between families.

Furthermore, family offices are as unique as the families themselves. Some provide extensive services, while others solely manage families’ wealth. Therefore, get all the facts first. Experts are available with deep experience in the family office arena – seek them out. Alternatively, tap into your social network and speak with families you know who have family offices or, if you are looking to expand your circle, join a membership organisation.

Look for outside experts if your local talent pool is lacking

If you live in places like London, New York, and Switzerland, deeply experienced family office staff can be readily available, along with helpful workshops and university courses. In more emerging markets like India, China, and Brazil, it can, however, sometimes be challenging to find professionals with in-depth experience managing sophisticated multi-asset class investment strategies, implementing effective governance protocols, and managing successful generational transitions.

If you need help whilst on your family office journey, here are three useful tips:

- Look for expert support to help you initially set up an effective family office structure, investment guidelines, and governance protocols. If this support is not readily available in your area, reach out to experts in one of the world’s top family office hubs, such as London, Switzerland, or New York. Companies frequently work on an international basis, therefore help is there if you need it.
- If you are looking to educate yourself or the next generation about family office practices, sign up for a course or workshop.
- Families can learn important lessons from one another, therefore reach out to your network or, as noted above, join a membership organisation to expand your network and meet other like-minded families who have already experienced what you are going through.

About Family Offices

What is a family office?

A family office is, in its simplest form, the private office for a family of significant wealth. The number of staff working in the office can vary from one or two employees, to 100 or more staff, depending on the type and number of services it provides.

The purpose of an office can range from handling key family assets and core holdings (tax and accountancy, property and estate management) to include more sophisticated wealth management structures, whilst often providing family members with educational, professional and lifestyle services.

Generally, family offices manage key areas of family assets, including real estate holdings and direct or indirect investments, tax consolidation and estate management.

They can serve as the central hub for a family's legacy, governance and succession. They can furthermore support the education and development of family members, facilitate family governance, coordinate communication and resolve issues within the family enterprise. A typical family office:

- Affords structure to the management of family wealth, establishing increased control and oversight of the family wealth strategy and costs of managing investments.
- Consolidates tax, accountancy and wealth management reporting execution under one roof.
- Provides a clearly-articulated, efficient governance framework for investment decision-making, as well as family legacy and succession functions (including philanthropic foundations and initiatives).
- Coordinates with service providers, achieving economies of scale (especially in the case of multi-family offices) and preferential deal access and products.
- Ensures confidentiality and privacy for family members, liberating them from the burden of wealth.

Who would benefit from using a family office?

Families with private wealth in excess of USD 150 million are ideal candidates for establishing a single family office structure. While it is not uncommon for first generation

entrepreneurs to establish a family office, these offices often support families with greater complexity in terms of households and generations. This is a key characteristic of family office structures and one that offices must account for when designing and executing investment strategies and family governance plans.

While each household will share some similar needs, from the perspective of the family office, each household merits special consideration. Such consideration cannot always be restricted to typical generational needs (i.e. retirees require income, while younger family members can accommodate more risk and longer horizons), because households themselves have differing liquidity requirements (for example, sibling benefactors may hold quite distinct professional ambitions).

Multiple wealthy families which might not necessarily be related to each other but nonetheless share some common values or goals may opt to consolidate and leverage resources by creating a multi-family office, rather than a single family office to manage the family wealth. Such a structure provides the benefit of economies of scale and investment deal opportunities that formal collaboration and a consolidated management structure afford. Naturally, family complexity factors arise for the multi-family office, only on another level of magnitude.

Here things can get quite messy. As such, traditionally, for a multi-family office to be successful and sustainable, families should share a common purpose, interest and risk appetite or, alternatively, comparable levels of wealth.

Traditionally for multi-family offices to be sustainable over the medium to long-term, they must manage cumulative assets of more than USD 3.5 billion. For the sake of clarity, specific terms in this report are defined below:

Private multi-family office – Will all have had a founding family before widening out their offering to multiple families. These offices are owned by families and operated for their benefit.

Commercial multi-family office – These will look after the interests of multiple families often with wealth of less than USD 150 million. Unlike private multi-family offices, they are owned by commercial third parties.

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About

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Campden Wealth owns the Institute for Private Investors (IPI), the pre-eminent membership network for private investors in the United States founded in 1991 and the Campden Club, a global membership network for families and family office executives. Campden further enhanced its international reach with the establishment of Campden Family Connect PVT. Ltd. a joint venture with the Patni family in Mumbai in 2015.

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