*Great Wealth*

# THE GLOBAL FAMILY OFFICE REPORT 2016

UBS

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First published in 2016 by Campden Wealth Limited

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Printed by Reyvis Limited, Kent, United Kingdom

ISBN 978-0-9935194-2-0
Global Family Office Report 2016
13-Sep

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# FOREWORDS

Dear reader,

We at UBS are delighted to support the publication of ***The Global Family Office Report 2016***. The report has become the global standard for beneficial owners and family office professionals seeking guidance on how to run their family offices more effectively. Providing a detailed set of benchmarks showing how other family offices operate, it can offer useful support in successfully managing financial and generational goals.

Three findings of this year's report stand out in comparison with 2015:

**- Investment performance was weak, with the lowest returns in three years.** The largest negative impact was derived from liquid market instruments. In this difficult environment family offices continued to focus more on illiquid investments such as private equity and real estate. We see this trend playing out in the market. There is a strong tendency for families to buy real assets and make direct investments where they can exercise control. This strategy only works well, however, when adequate resources and know-how are available.

**- Regional differences in strategic asset allocation highlight a high degree of dispersion in risk taking.** US family offices are the most optimistic, with a big move to 'growth' allocations. Emerging market participants are much less stressed than in 2015 and have cut their 'preservation' allocations dramatically. Asia is broadly neutral compared with the prior year. Europe is standout negative, with its risk-off stance demonstrated by increased 'preservation' allocations and a cut to 'growth' allocations.

**- Succession warrants more attention as a risk factor.** According to the report, 43% of family offices expect a generational transition within the next 10 years. Our experience is that the risk of disruption from this transition should not be underestimated. It is the number one reason for beneficial owners to make changes to their family office structure and management team.

The UBS Global Family Office Group continues to experience business growth, and we remain committed to serving family offices across all global markets. We hope you find the report useful, and welcome any feedback you have on the 2016 edition.

We sincerely thank all those who participated in the survey and provided us with such valuable insights.

Yours faithfully,

***Philip Higson***
Vice Chairman, **UBS Global Family Office Group**

Dear reader,

Now in its third year, ***The Global Family Office Report*** continues to build momentum, with 242 family offices completing the online survey in 2016. Another 25 principals, executives and advisers participated in interviews. More and more family and non-family members express that ***The Global Family Office Report*** is the go-to source of data for trends and insights on family offices.

To ensure the report continues to deliver maximum value, we set up and consulted an Advisory Panel with leaders from the community to input at key stages of the research process. The resulting report provides invaluable benchmarking data that family offices have come to rely on in the areas of investments, costs, salaries and philanthropy. We also explore three new areas which are currently exercising the minds of executives: the use of software, the issue of cyber-security and the preparedness of family offices for succession.

The results this year are sure to generate a great deal of debate. I was particularly struck by the significant declines in performance, which contrast starkly with those achieved by endowments, and the real intent among family offices in the areas of co-investing and impact investing. The data we reveal around cyber-security and succession make a convincing case for why family offices can no longer avoid action in these two areas, and what specifically they should be doing.

My sincere thanks goes out to the stakeholders in this project: the research team at Campden Wealth, our partner UBS for their counsel and on-going commitment, and most importantly, the many family offices all around the world for their continued trust and support in our research.

We hope that these findings will support your decision-making and be invaluable for benchmarking and planning in the year ahead.

Yours faithfully,

***Dominic Samuelson***
Chief Executive Officer, **Campden Wealth**

# EXECUTIVE SUMMARY

## *Overall returns are down sharply*

After returning 8.5% in 2013 and 6.1% in 2014, the composite global portfolio of family offices returned a meagre 0.3% in 2015. Returns were disappointing across most of the asset classes with private equity and real estate among the few bright spots. Europe produced the strongest regional performance with portfolios up by 0.6%, compared with 0.3% in North America, 0% in Asia-Pacific and -0.6% in Emerging Markets (ex Asia-Pacific).

**3. Performance, pg 34**

## *Clear switching patterns emerge*

Multi-year participants have recorded a significant 2.3 percentage point increase in holdings of private equity and 0.9 percentage point decrease in hedge funds. This pattern is likely to be reinforced going forward, with family offices planning to move money into private equity and out of hedge funds.

**1. Allocations, pg 24**

## *Funds attract the largest share of private equity flows*

The most significant change in private equity holdings is a move out of direct investing and into indirect investing. There has been a large rise in the proportion of private equity held in funds among multi-year participants, and it is now the single biggest private equity category by some margin.

**2. Focus on Private Equity, Real Estate and Hedge Funds, pg 30**

## *Growing cost consciousness and early success on costs*

Over a third of family offices are more or significantly more cost conscious than they were 12 months ago, as a result of the lower returns being achieved. Early indications are positive that they are managing to stem the tide of the cost increases observed last year, with multi-year participants reporting operating costs (before external managers performance fees) decreases from 79.4 basis points of AUM in 2015 to 76.0 basis points in 2016.

**4. Costs, pg 40**

## *Satisfaction with IT is reasonable, but far from impressive*

While family office satisfaction with their software may seem reasonable at face value, it is disappointing in the context of the high standard of ultra-high net worth service. Some 25%-45% of family offices either sit on the fence in terms of IT provider satisfaction or describe themselves as dissatisfied. Information technology accounts for USD 497,000 of yearly spend on average within family offices globally, and it is commonly used for accounting and consolidation, archive and data storage as well as reporting systems.

**5. Services, pg 42**

## *Executives benefit from the opportunity to co-invest*

Around half or more of family offices across the regions currently offer their executives the opportunity to co-invest with them, making this the most common long-term benefit of their employment. Another relatively common aspect is a profit sharing agreement for executives, to help ensure better alignment.

**6. Human Capital, pg 46**

## Bonuses were typically between 30%-45%

Bonuses for C-suite executives ranged from 30% to 45% of base salary last year. These levels are lower compared with previous years, given the prevalence of formula-based salaries and the greater cost consciousness. Bonuses were highest in North America.

**6. Human Capital, pg 46**

## Family office succession is a looming challenge

43% of family offices expect a generational transition in the next 10 years, and 69% in the next 15 years, making this a pressing issue for the community. Asked what the main governance priority was for the next 12-24 months, family offices put 'implementing a succession plan' at the very top of the list.

**7. Succession and Survival, pg 50**

## Smooth succession depends on a number of factors

Just two in five respondents have personally experienced a successful transition of a family office. These individuals point to a number of factors that were important: a willing and able next generation, an older generation prepared to give up control, and a flexible and trustworthy family office. There are certainly family-related obstacles ahead- 37% of family office executives agree that the next generation wishes to be more involved than they are in the family office at present.

**7. Succession and Survival, pg 50**

## Investments no longer dominate risks

There is a notable step-up in the controls within family offices to manage risks outside of investments. Some 69% of family offices now have internal oversight for family data and confidentiality, and 62% have this in place for family reputation. Security is another area attracting attention, with 49% of family offices reporting internal controls for 'risk to tangible assets' and 47% for 'personal security'.

**8. Accountability, pg 54**

## 15% of offices have experienced cyber-security breaches

Some 15% of family offices reported having experienced a cyber-security breach in the past, with the majority of these breaches resulting in losses of USD 50,000 or less. Phishing (legitimate-looking email scams) was behind many of these breaches, with some instances of pharming (installation of malicious software) and installation of viruses. Among the actions being taken to manage this threat are secure data housing, implementing security strategies and accessing specialist skills.

**8. Accountability, pg 54**

## Impact investing comes of age

An astonishing 61% of family offices are now active or expect to be active in impact investing. Millennials are a key catalyst for this change, but this isn't just a change led by the next generation. Some 47% of family offices believe that impact investing is a more efficient use of funds to achieve social impact than philanthropy.

**9. Philanthropy, pg 58**

# 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, while 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, serving as the central hub for a family's legacy, governance and succession communication.

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, family offices often support families with more complexity in terms of number 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 bonds 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 interest and risk appetites 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.

The data quoted in ***The Global Family Office Report 2016*** comes from a quantitative, online survey of 242 family offices conducted between February and May 2016. Unless otherwise stated, the data reflects the position as at the time of the survey completion by participating offices. The performance data in the report is calculated using the latest available calendar year's data, in this case 2015. To more accurately measure annual change, the report looks at the results of 'multi-year participants' - those family offices that participated in the research in 2015 and 2016.

The majority (75%) of respondents to the survey were single family offices. Campden Wealth also invited a select group of multi family offices to participate.

The multi family office field continues to evolve. Many single family offices have opened their doors to other families and now manage or oversee the investment affairs of three, four or more families. This enables them to leverage assets under management (AUM) or reduce cost exposure but the venture remains fundamentally 'not for profit'. The reality though is that a multi family office by definition and ideology becomes a profit-oriented enterprise.

For the sake of clarity, a number of terms with specific meaning 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. They still look after the direct interests of the families, rather than themselves.

**Commercial multi family office –** These will look after the interests of multiple families often with wealth of less than USD 150 million, but will also be driven by a profit-motive to a greater or lesser degree.

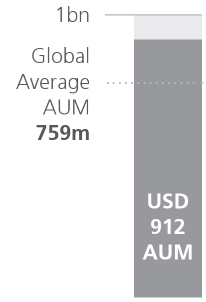
**Private equity –** This includes both direct and indirect private equity allocations. The former refers to direct holdings where there is either an active or passive management role as well as direct early-stage venture capital. The latter refers to private equity funds, co-investments or deals syndicated by investment banks.

**Real estate –** This refers to direct real estate investments managed by the family office. It is noted that some family offices may not include their families' main residential properties within their portfolio if these are used by family members permanently or on a frequent basis.

**Other assets (e.g. art) –** This catch-all category is used to report a variety of valuable assets including art, wine, watches, cars, impact investments or even loans.

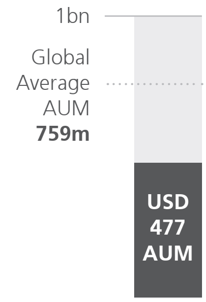
# Global Overview of 2016 Participants

**North America** 32%




California
Canada
Connecticut
Dallas
Delaware
Florida
Georgia
Illinois
Louisiana
Maryland
Massachusetts
Michigan
Minneapolis
Minnesota
New Hampshire
New Jersey
New York
North Carolina
Ohio
Pennsylvania
Rhode Island
South Carolina
Texas
US virgin islands
Virginia
Washington

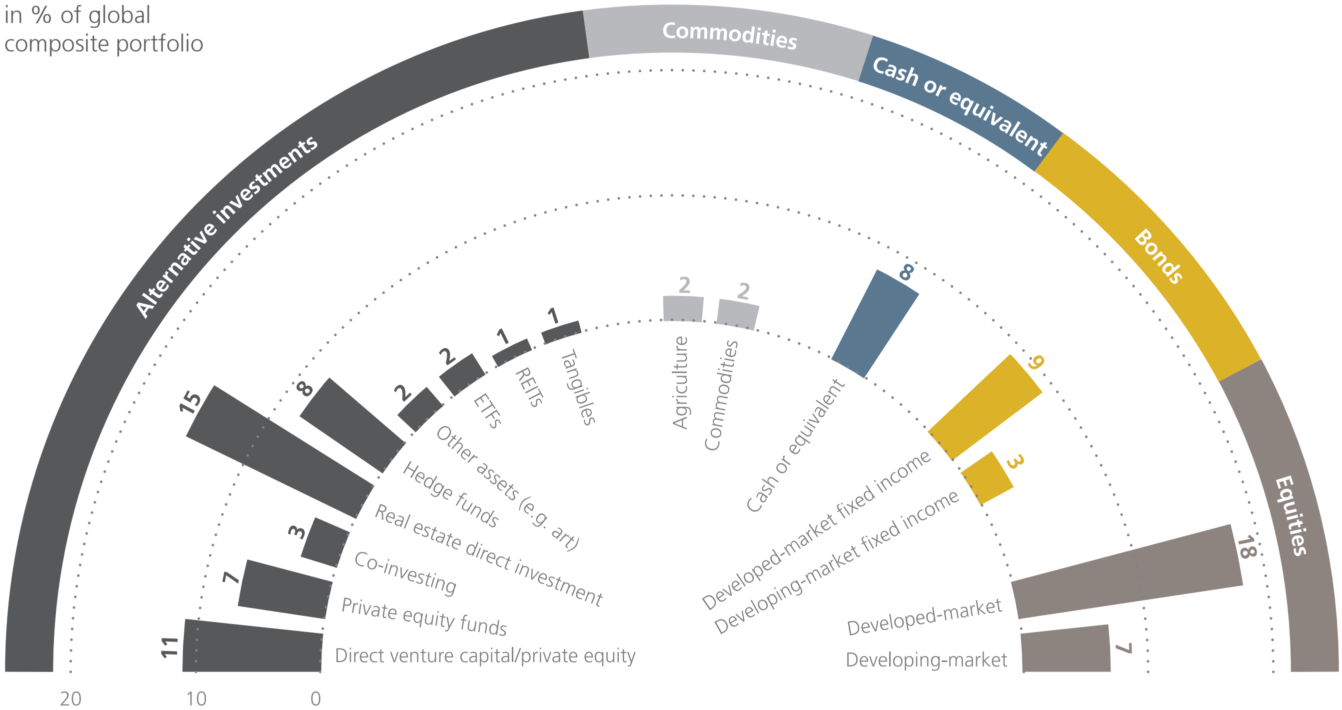
**Emerging Markets** 9%



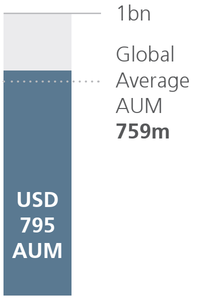

Bahrain
Brazil
Chile
Ecuador
Israel
Lebanon
Mexico
Nigeria
Oman
Puerto Rico
Saudi Arabia
South Africa
UAE
Venezuela

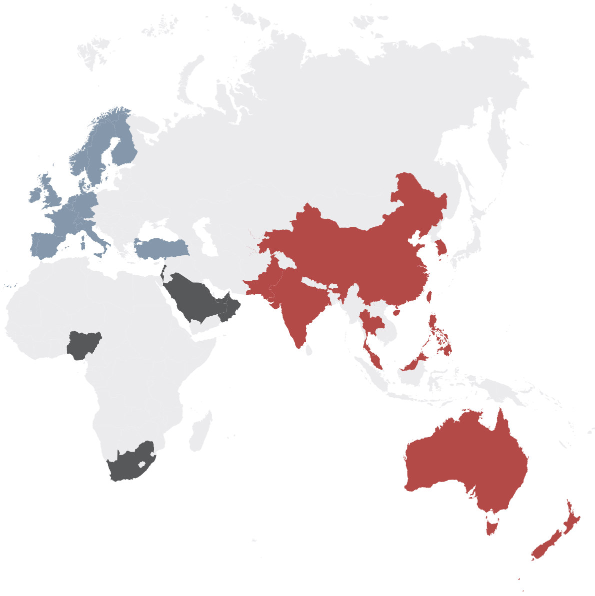
## Average family office portfolio

in % of global composite portfolio



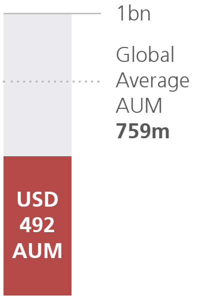

Note: Due to rounding, totals may not add up to 100%



**40%** **Europe**

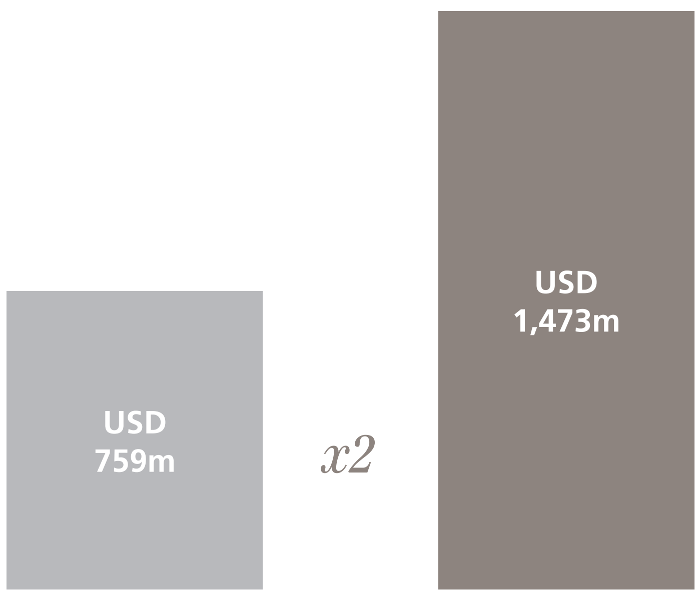
Belgium, Denmark, Finland, France, Germany, Ireland, Italy, Luxembourg, Malta, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, Turkey, UK




**19%** **Asia-Pacific**

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

## *Global family office AUM - Total family net worth*




Average family office AUM

Average family net worth AUM

# *Average CEO salary and total operating cost*

**North America**

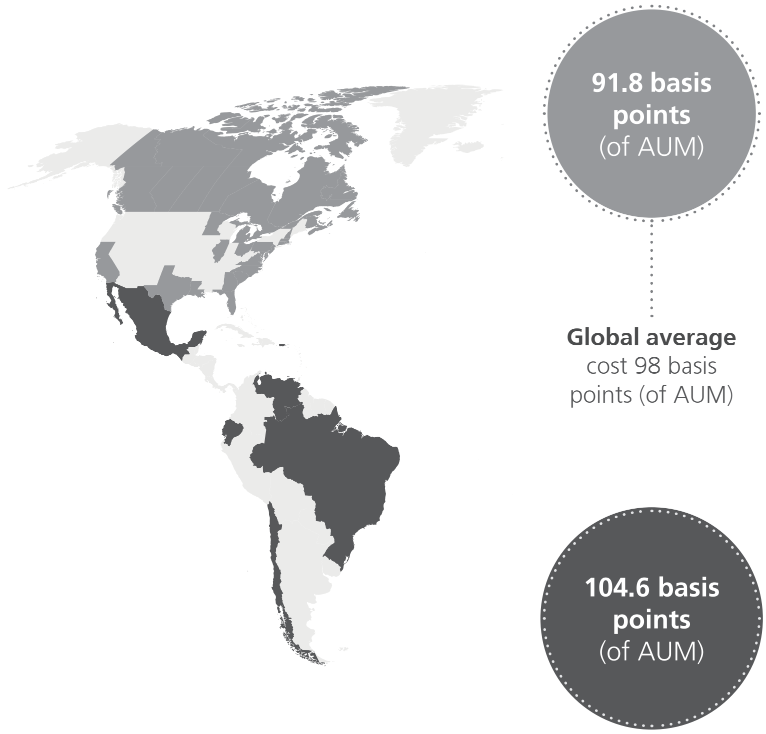
CEO Compensation **USD 371k**

Average founding **1995**

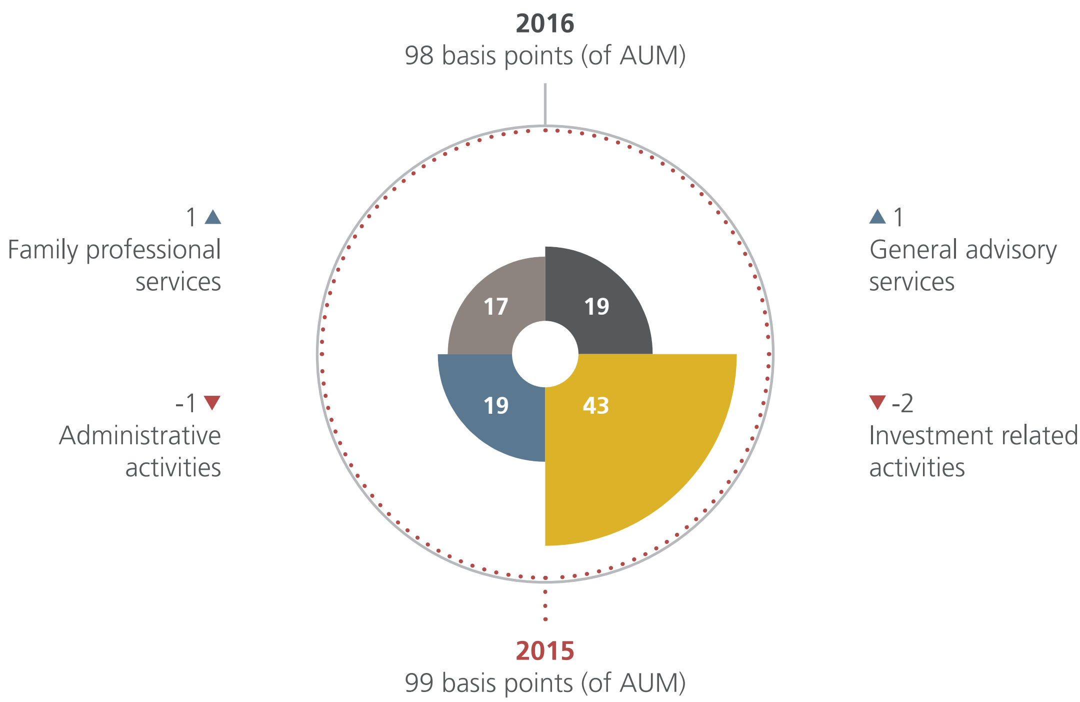
**Emerging Markets**

CEO Compensation **USD 236k**

Average founding **1997**

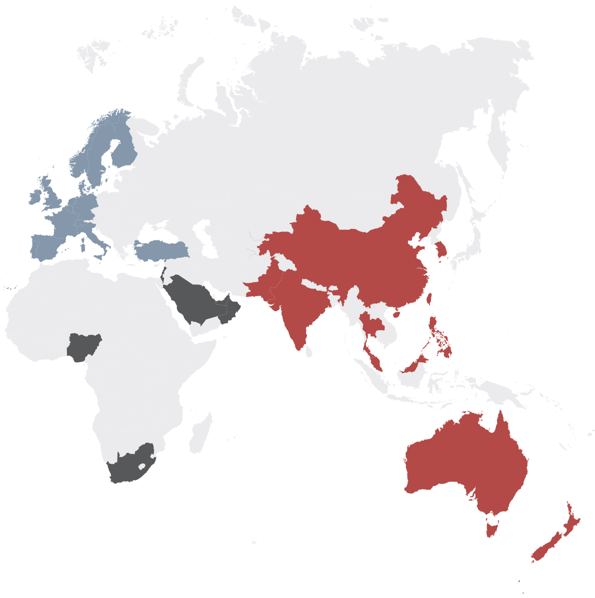



# *Increase/decrease in operating costs since last year*



100.7 basis points (of AUM)

115.4 basis points (of AUM)



**Europe**

**USD 303k** CEO Compensation

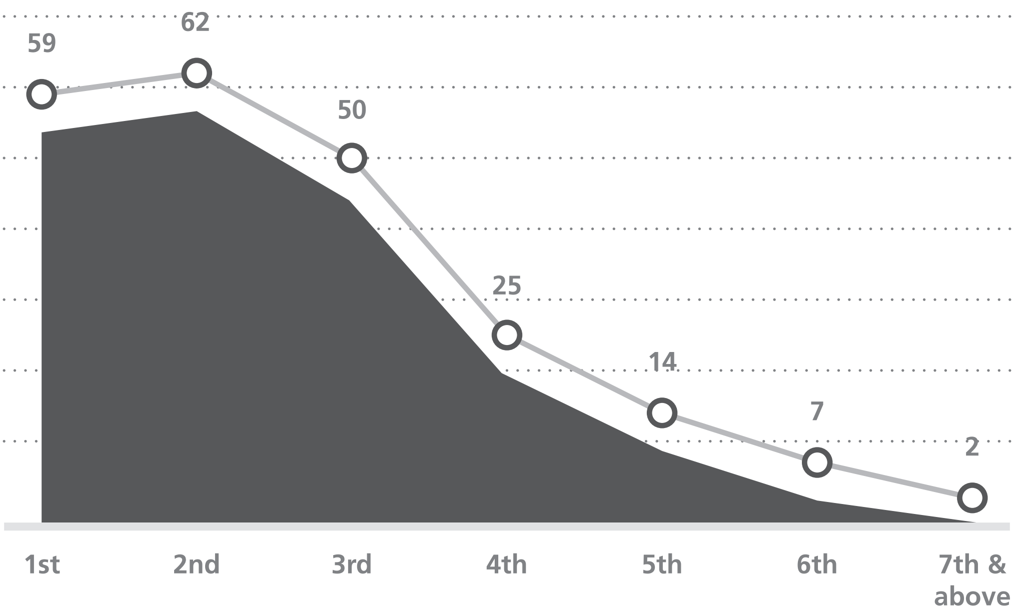
**1996** Average founding

**Asia-Pacific**

**USD 276k** CEO Compensation

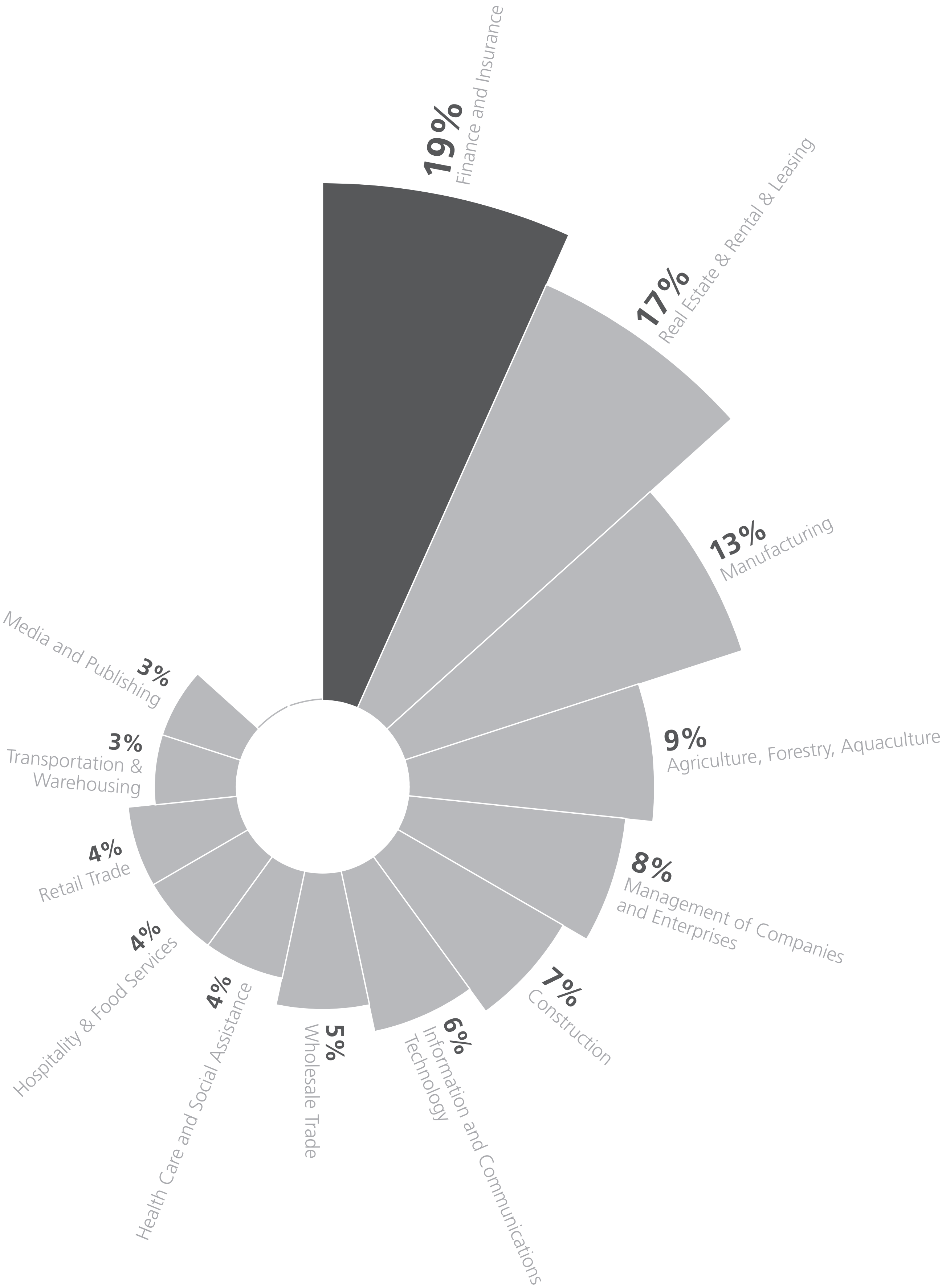
**1998** Average founding

## *Generations currently serviced*




Note: Due to some family offices serving more than 1 generation, totals may not add up to 100%

# *Key industries of the operating business*

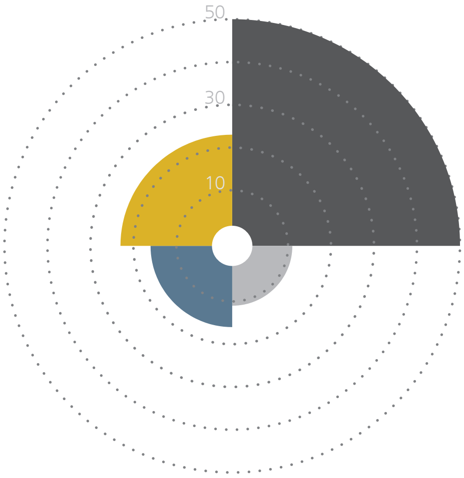



Note: Due to rounding, totals may not add up to 100%

# Family's stake in the operating business

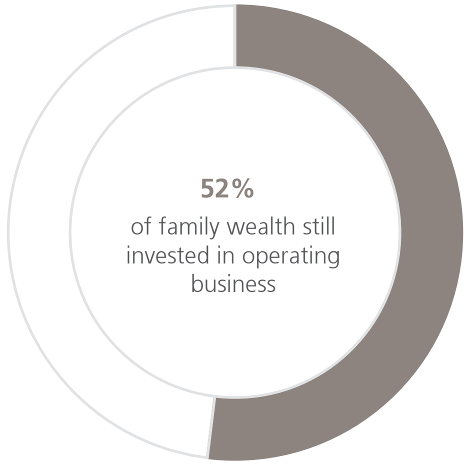
**23%**
Complete (100%)

**50%**
Majority




**16%**
Minority without control rights

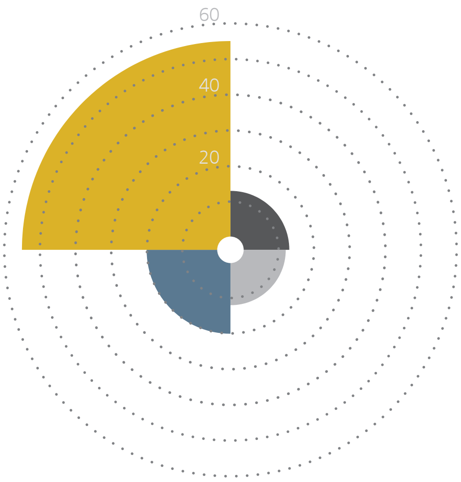
**11%**
Minority with control rights




# Type of family office

**55%**
Single Family Office (Independent from Family Business)

**13%**
Commercial Multi Family Office

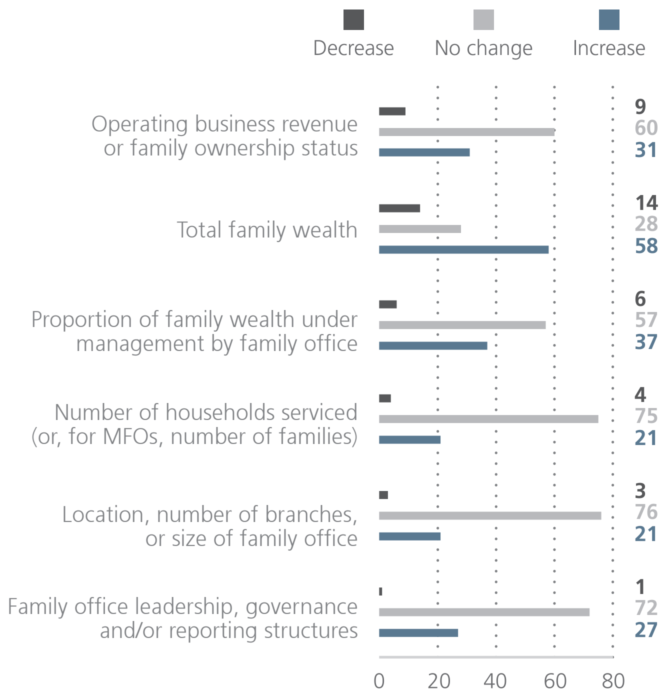



**20%**
Single Family Office (Embedded within Family Business)

**12%**
Private Multi Family Office

# Changes since 2015

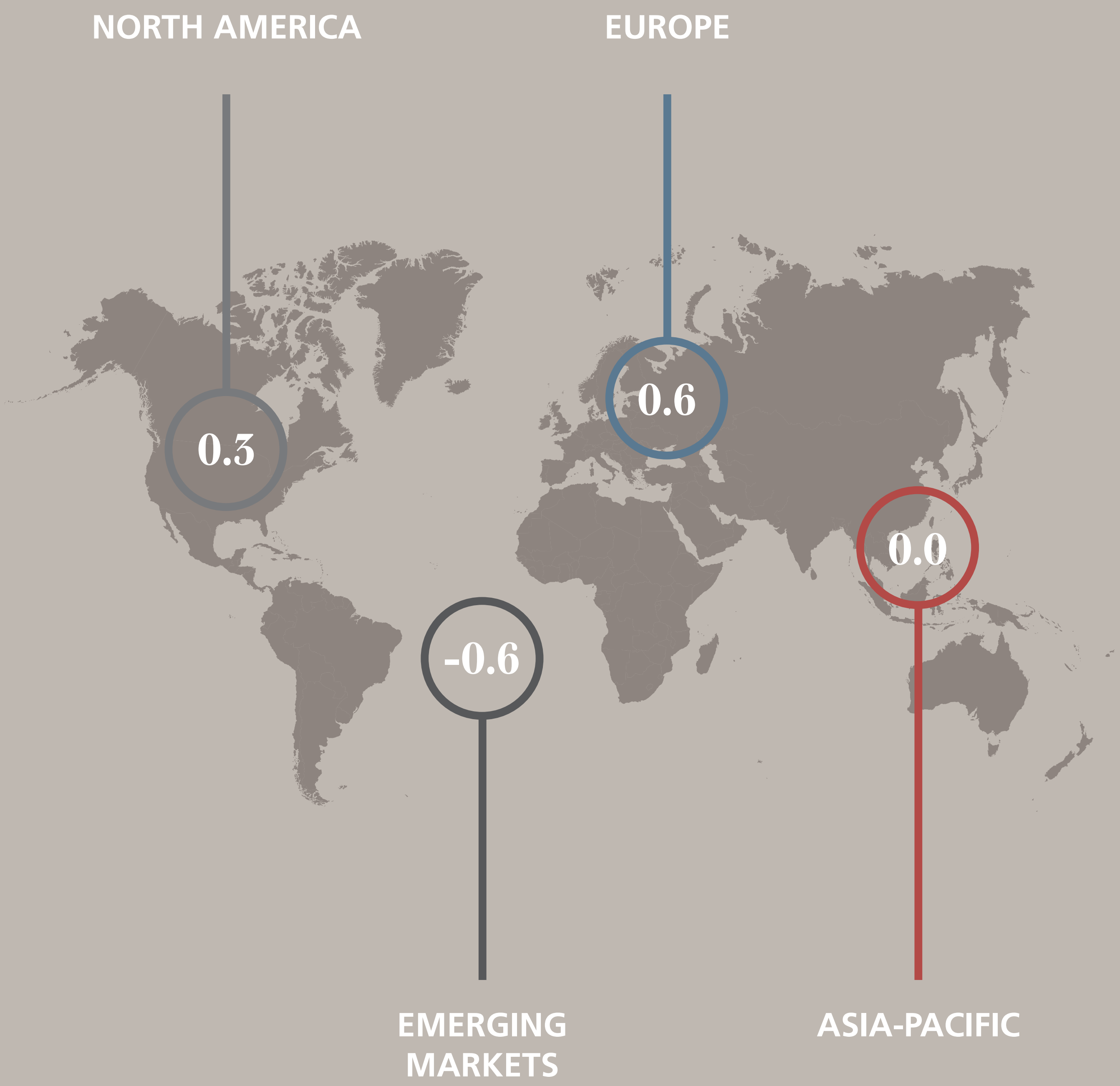
in % of family offices




Source: The UBS/Campden Wealth Global Family Office Report 2016

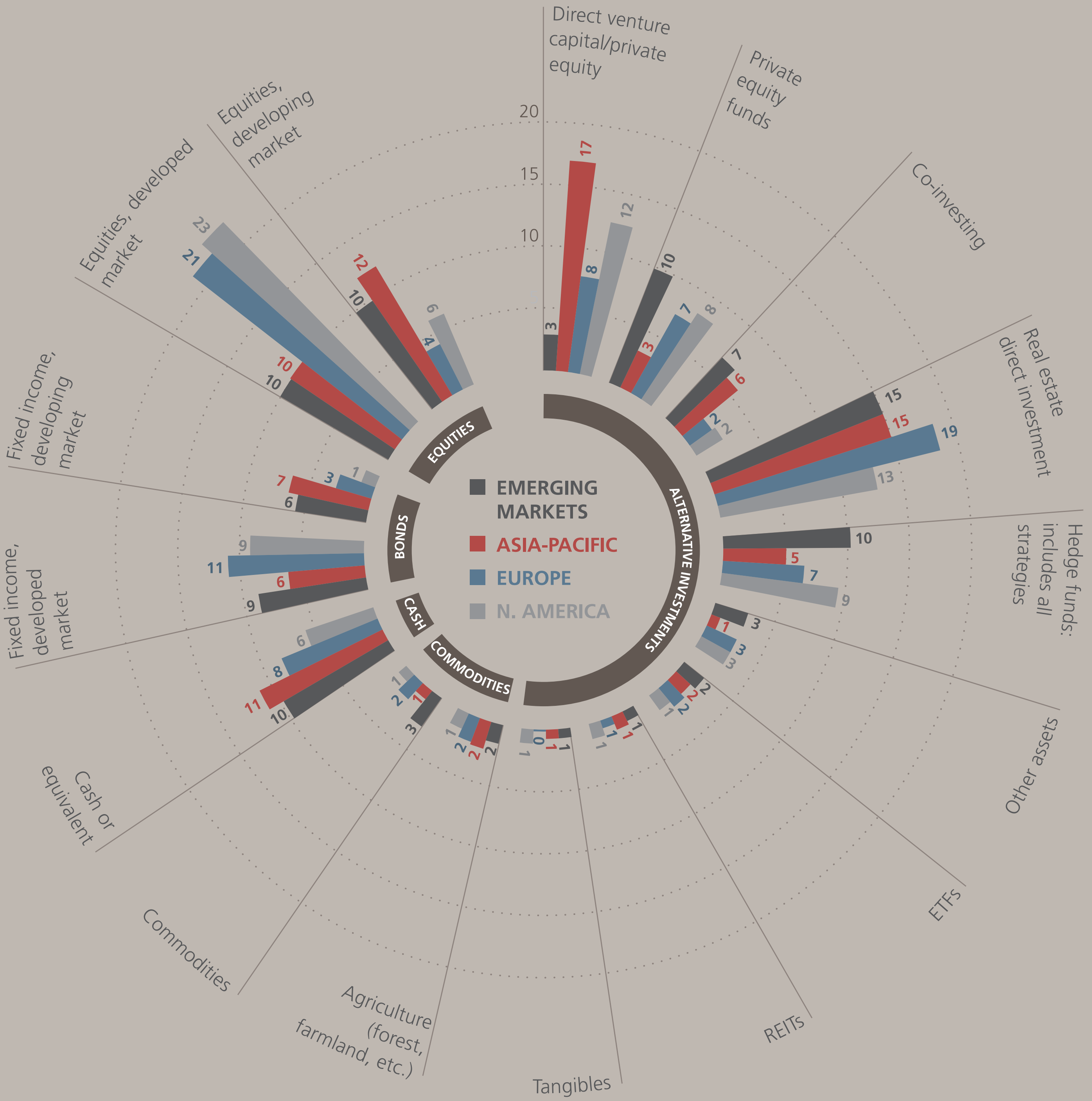
## *Regional Overview of 2016 Participants*

### *2015 Estimated benchmark performance of global composite portfolio, by region*
***in % return***




Source: The UBS/Campden Wealth Global Family Office Report 2016
Note: Emerging Markets include: South America, Middle East and Africa

## *Average family office portfolio, by region*
### *in % of composite portfolio*




Source: The UBS/Campden Wealth Global Family Office Report 2016
Note: Due to rounding, totals may not add up to 100%

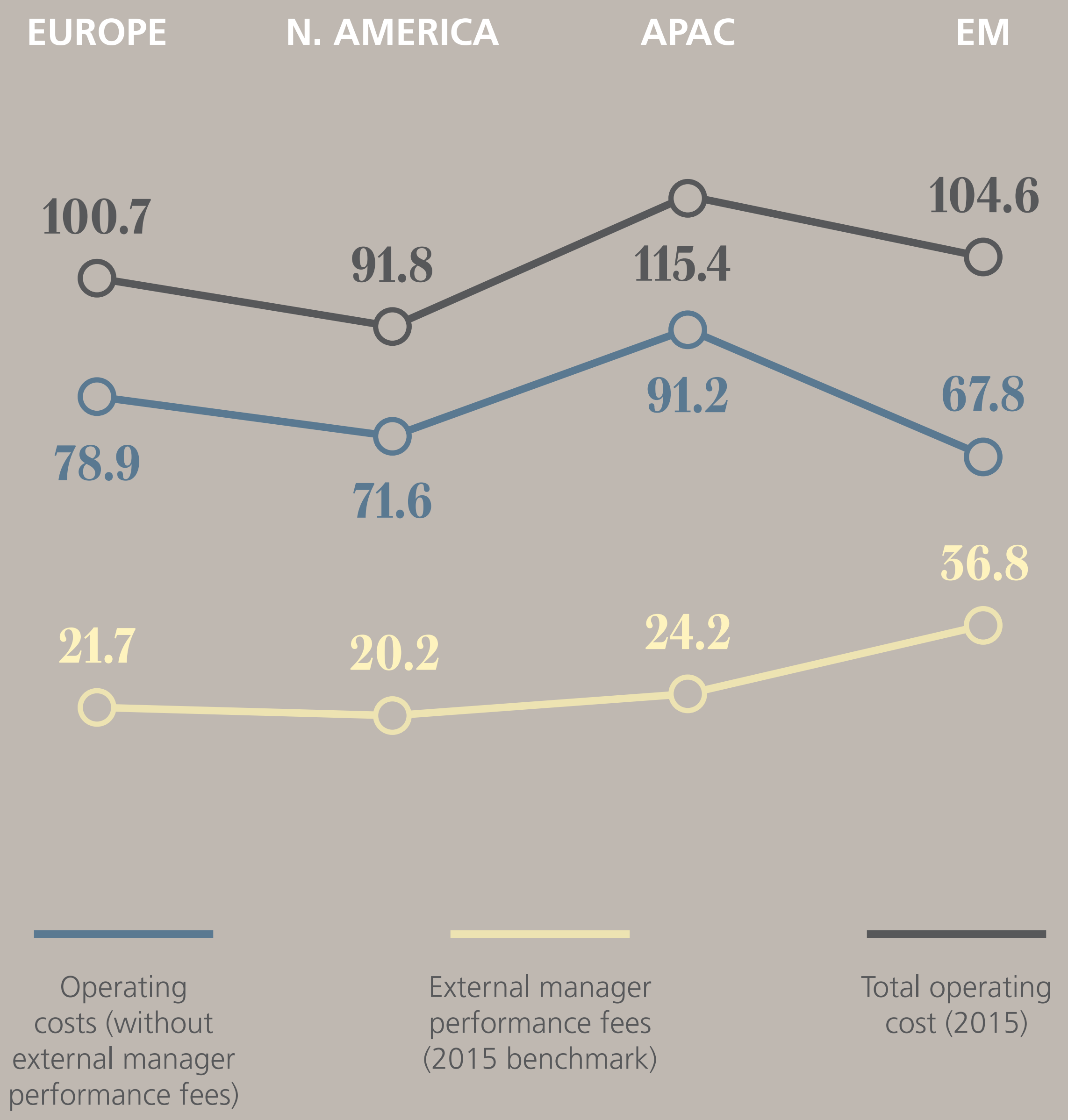
## *Investment Strategy, by region*

*in % of family offices*

| | Preservation | Balanced | Growth |
|---|---|---|---|
| EMERGING MARKETS | 17 | 67 | 17 |
| NORTH AMERICA | 4 | 33 | 63 |
| EUROPE | 33 | 53 | 13 |
| ASIA-PACIFIC | 25 | 42 | 33 |

Source: The UBS/Campden Wealth Global Family Office Report 2016
Note: Due to rounding, totals may not add up to 100%

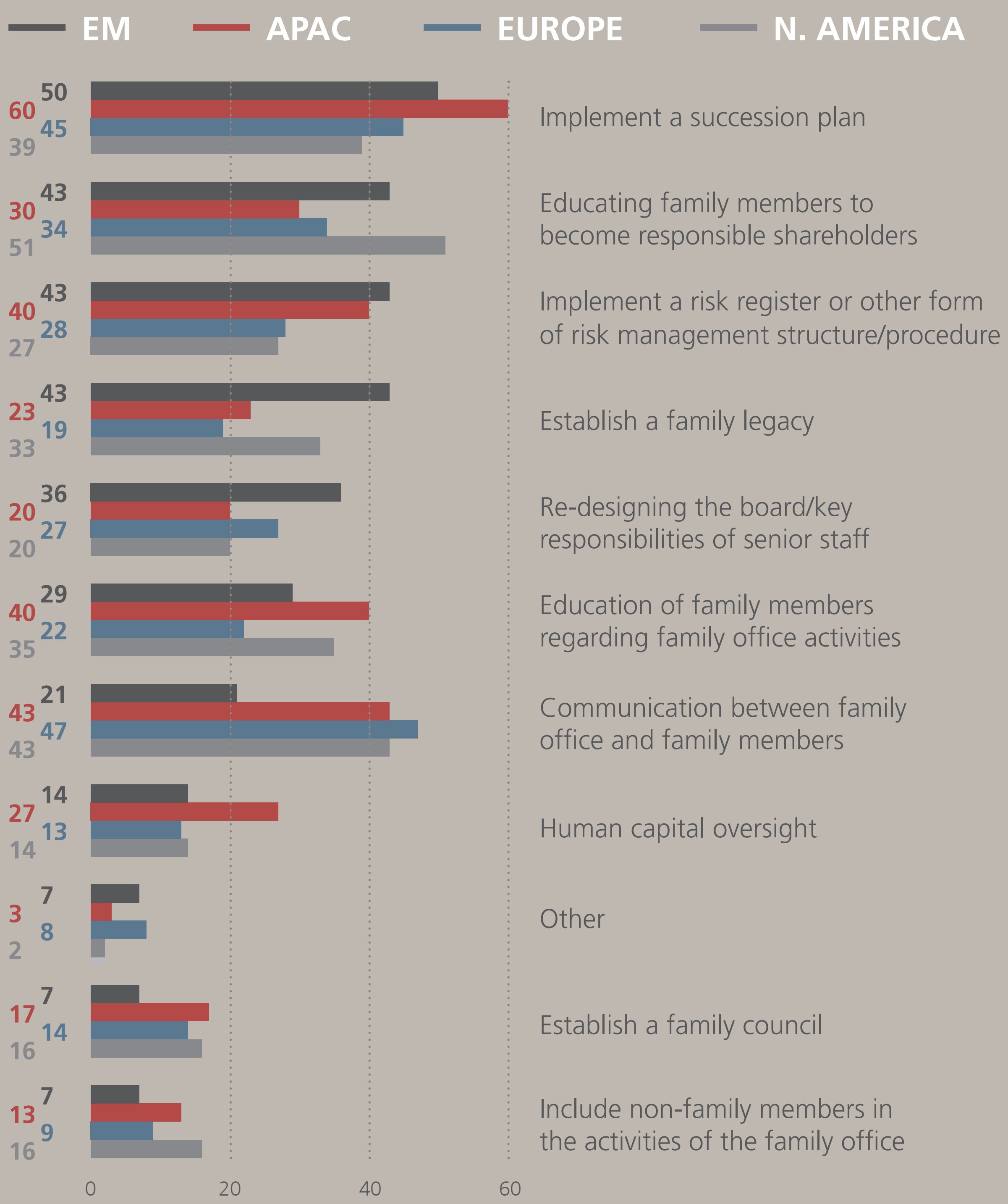
## *Overall operating costs, by region*
*in basis points (of AUM)*




Source: The UBS/Campden Wealth Global Family Office Report 2016

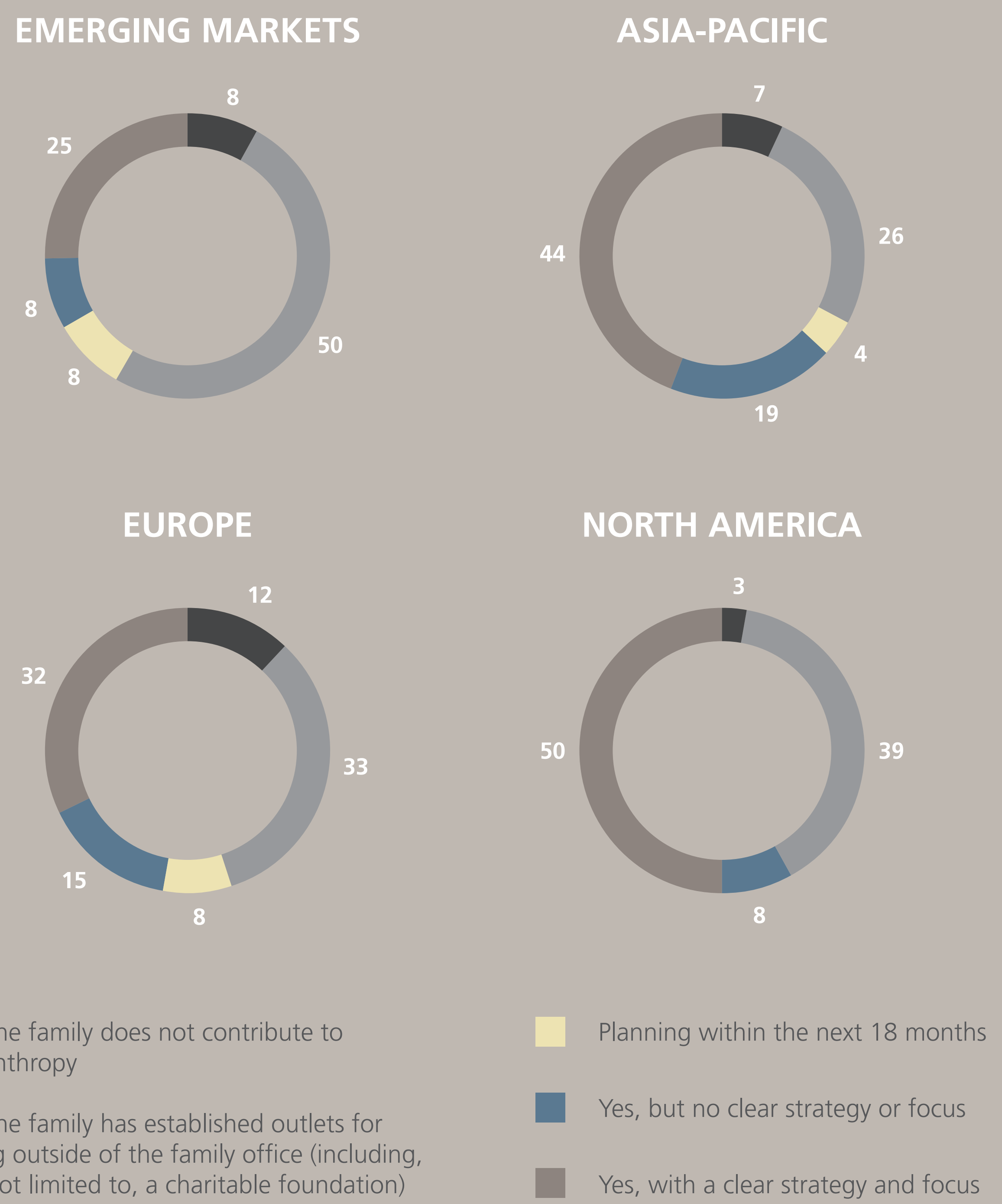
## *Top governance priorities for the next 12 months, by region*

*in % of family offices*




Source: The UBS/Campden Wealth Global Family Office Report 2016

## *Philanthropic engagement, by region*
*in % of family offices*




Source: The UBS/Campden Wealth Global Family Office Report 2016
Note: Due to rounding, totals may not add up to 100%

# INVESTMENTS

1. Allocations

2. Focus on Private Equity, Real Estate and Hedge Funds

- Private Equity
- Real Estate
- Hedge Funds

3. Performance

# 1.
# ALLOCATIONS

> *"I think that the attraction (of co-investing) is the quality of the deal flow and it's a way of diversifying risk. The negative part or the most complicated part of co-investing is the relation with the partner. You need to regulate your partnership – aligning objectives, horizons, priorities, etc. But you can regulate all that and the net returns are better because there are less intermediaries."*
>
> (Principal, European single family office)

- Growth in private equity allocations continues with multi-year participants recording an increase of 2.3 percentage points;

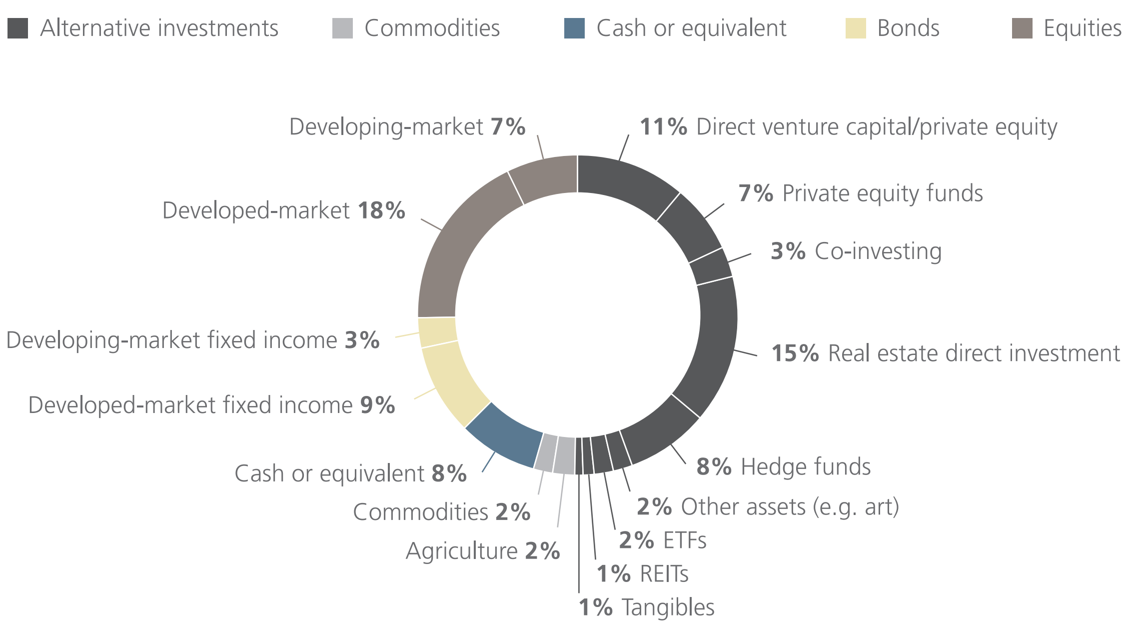
- Holdings of hedge funds declined by 0.9 percentage points among multi-year participants amid concerns about poor performance and high fees;

- These patterns of switching are likely to continue with family offices planning to move money into private equity and out of hedge funds;

- There has been an increase in the percentage of family offices that are pursuing a growth strategy but there are wide differences across the regions;

- Family offices are very clearly chasing growth in their asset allocations and exposures are being reinforced rather than diversified.

**Fig 1.1. Average family office portfolio**
in % of global composite portfolio




Source: The UBS/Campden Wealth Global Family Office Report 2016 / Note: Due to rounding, totals may not add up to 100%

**Fig 1.2. Investment portfolio**
in % of global composite portfolio

| Asset class | Total | Region | | | | Strategy | | | Assets under management (USD) | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Europe | N.America | APAC | EM | Preservation | Balanced | Growth | <250m | 251m-1bn | >1bn |
| **Bonds** | **13** | **14** | **10** | **13** | **15** | **20** | **13** | **7** | **12** | **12** | **15** |
| Developed-market fixed income | 9 | 11 | 9 | 6 | 9 | 15 | 9 | 5 | 9 | 9 | 13 |
| Developing-market fixed income | 3 | 3 | 1 | 7 | 6 | 5 | 4 | 2 | 4 | 4 | 2 |
| **Equities** | **24** | **25** | **29** | **22** | **20** | **22** | **26** | **25** | **21** | **30** | **26** |
| Developed-market | 18 | 21 | 23 | 10 | 10 | 17 | 20 | 18 | 14 | 24 | 19 |
| Developing-market | 7 | 4 | 6 | 12 | 10 | 5 | 6 | 7 | 7 | 6 | 7 |
| **Alternative investments** | **51** | **48** | **52** | **51** | **51** | **45** | **48** | **60** | **55** | **45** | **50** |
| Direct venture capital/private equity | 11 | 8 | 12 | 17 | 3 | 4 | 7 | 19 | 13 | 7 | 9 |
| Private equity funds | 7 | 7 | 8 | 3 | 10 | 4 | 7 | 9 | 7 | 6 | 9 |
| Co-investing | 3 | 2 | 2 | 6 | 7 | 1 | 4 | 5 | 3 | 4 | 3 |
| Real estate direct investment | 15 | 19 | 13 | 15 | 15 | 22 | 17 | 14 | 20 | 13 | 8 |
| Hedge funds | 8 | 7 | 9 | 5 | 10 | 4 | 8 | 9 | 8 | 7 | 12 |
| Other assets (e.g. art) | 2 | 3 | 3 | 1 | 3 | 5 | 1 | 1 | 1 | 3 | 5 |
| ETFs | 2 | 2 | 1 | 2 | 2 | 4 | 2 | 1 | 2 | 2 | 2 |
| REITs | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Tangibles | 1 | 0 | 1 | 1 | 1 | 0 | 1 | 1 | 0 | 2 | 1 |
| **Commodities** | **3** | **4** | **3** | **3** | **4** | **4** | **3** | **3** | **3** | **5** | **3** |
| Agriculture | 2 | 2 | 1 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 1 |
| Commodities | 2 | 2 | 1 | 1 | 3 | 3 | 1 | 1 | 1 | 2 | 1 |
| **Cash or equivalent** | **8** | **8** | **6** | **11** | **10** | **8** | **10** | **6** | **9** | **8** | **6** |

Source: The UBS/Campden Wealth Global Family Office Report 2016

## *In private equity we trust*

Private equity continues to enjoy a special place in the portfolios of family offices, and this year its growth is particularly pronounced. Looking specifically at the portfolios of 'multi-year participants' – those 100 family offices that participated in the research in 2015 and 2016 – for the most accurate measure of change, we find that their holdings in private equity (including venture capital and co-investing) have risen by 2.3 percentage points over the last 12 months.

*"We don't admire hedge funds as an asset class, and we always keep questioning the costs and returns they provide, and their proficiency in their portfolios."*

CEO, European single family office

The historic strength of the asset class continues to attract new money but there are also some more enduring characteristics that appeal to family offices. The principal of one single family office noted that with private equity "you better understand where your money is invested, the industry and the business model, and can be closer to the operation or to the management team." A number of family offices also highlighted the illiquid nature of private equity, which appeals because of its lower reported volatility.

## *Hedge funds see significant declines*

The uptick in hedge funds seen last year came to an abrupt end in the last twelve months with an average decline in holdings of 0.9 percentage points among multi-year participants. Interviews with family offices reveal concerns around the poor performance and the high fees of hedge funds. There are also some doubts about the ability of hedge funds to generate alpha going forward, even with the benefit of volatility. "When I first started investing in hedge funds, there were a very small number of people chasing a medium-sized opportunity. Today, the opportunity set has increased, but the number of people chasing that has increased by a much greater rate. So opportunities are just much more limited," commented the CEO of a large European single family office. The head of a private multi family office pointed to another problem: "We're very big on trying to understand real-time risks, and you're not able to do that in most of the hedge fund platforms, because you're getting data late."

**Fig 1.3. Changes in allocations, 2015 - 2016**
in % of global composite portfolio, multi-year participants

| Asset class | 2015 | 2016 | Change |
|---|---|---|---|
| **Bonds** | **14.8** | **13.3** | **▼ -1.5** |
| Fixed income, developed | 11.8 | 10.2 | ▼ -1.5 |
| Fixed income, developing | 3.1 | 3.1 | ▲ 0.1 |
| **Equities** | **27.3** | **26.7** | **▼ -0.6** |
| Equities, developed | 20.1 | 20.0 | ▼ -0.1 |
| Equities, developing | 7.2 | 6.7 | ▼ -0.5 |
| **Alternative investments** | **45.8** | **47.5** | **▲ 1.7** |
| Private equity: includes direct, venture, funds, co-investing and investment bank syndication | 19.8 | 22.1 | ▲ 2.3 |
| Direct venture capital/private equity | | 9.6 | |
| Private equity funds | | 9.2 | |
| Co-investing | | 3.3 | |
| Real estate direct investment | 11.3 | 11.5 | ▲ 0.2 |
| Hedge funds | 9.0 | 8.1 | ▼ -0.9 |
| Other | 0.9 | 2.3 | ▲ 1.3 |
| ETFs | 3.3 | 2.8 | ▼ -0.5 |
| REITs | 0.5 | 0.7 | ▲ 0.2 |
| Tangibles | 0.9 | 0.0 | ▼ -0.9 |
| **Commodities** | **4.2** | **3.8** | **▼ -0.4** |
| Agriculture | 2.2 | 1.7 | ▼ -0.5 |
| Commodities | 1.9 | 2.1 | ▲ 0.1 |
| **Cash or equivalent** | **7.9** | **8.4** | **▲ 0.4** |

Source: The UBS/Campden Wealth Global Family Office Report 2015; The UBS/Campden Wealth Global Family Office Report 2016

## *Equities and fixed income slip in prominence*

Two mainstays of family office investments – equities and fixed income – both slipped in prominence in the portfolios of multi-year participants. Bonds fell by 1.5 percentage points, while equities slipped by 0.6 percentage points. Both of these asset classes produced negative returns in 2015, both within developed and developing markets, and this weighed heavily on the overall performance of family office portfolios in 2015 (see chapter three for further details).

## *The patterns of switching are set to continue*

This year, for the first time, we asked family offices not only about their current allocations, but also about their future intentions – what holdings they intend to increase or decrease. The results show that recent patterns of switching allocations from one asset class to another are likely to continue going forward. Notably, we see that more money will be going into private equity and out of hedge funds, with further reductions in developed-market fixed income.

But there won't just be more of the same. A number of other takeaways can be extracted from this data:

• The asset category where family offices are absolutely clamouring to do more is in the area of co-investing, with an astonishing 51% of responding family offices looking to increase their holdings. This red-hot area is discussed in the next chapter.

• After the bruising losses incurred over the last 12-18 months, there are some early signs that family offices may once again be returning to commodities.

• The prospects of future flows into the traditional safe-haven of cash is less rosy, with more than twice the number of family offices looking to decrease their holdings in this category than increase them.

**Fig 1.4. Investment portfolio, future intentions**
% of family offices

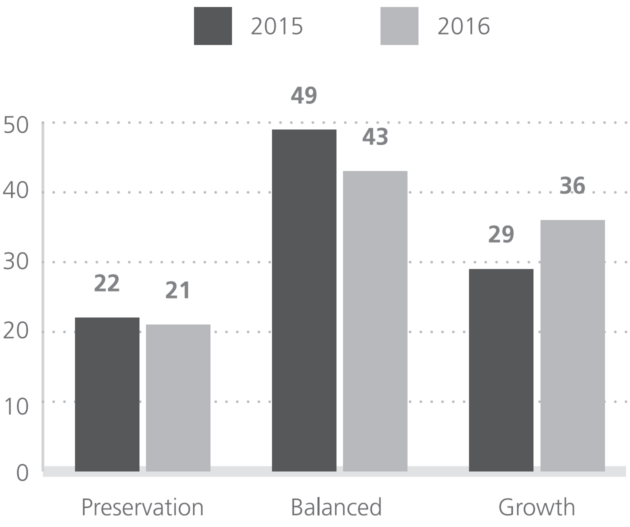
| | Decrease | Leave as is | Increase |
|---|---|---|---|
| **Bonds** | | | |
| Developed-market fixed income | 30 | 55 | 14 |
| Developing-market fixed income | 29 | 51 | 20 |
| **Equities** | | | |
| Developed-market | 19 | 55 | 27 |
| Developing-market | 19 | 47 | 34 |
| **Alternative investments** | | | |
| Direct venture capital/private equity | 11 | 49 | 40 |
| Private equity funds | 23 | 48 | 29 |
| Co-investing | 6 | 43 | 51 |
| Real estate direct investment | 16 | 42 | 42 |
| Hedge funds | 34 | 46 | 20 |
| Other assets (e.g. art) | 9 | 64 | 27 |
| ETFs | 19 | 57 | 24 |
| REITs | 22 | 52 | 26 |
| Tangibles | 20 | 47 | 33 |
| **Commodities** | | | |
| Agriculture | 12 | 61 | 27 |
| Commodities | 9 | 63 | 29 |
| **Cash or equivalent** | **33** | **51** | **16** |

Source: The UBS/Campden Wealth Global Family Office Report 2016
Note: Due to rounding, totals may not add up to 100%

## *Despite the volatility, growth is firmly on the agenda*

Contributing towards these shifting allocations, is the trend towards more growth-orientated investment strategies albeit with big regional differences with North American family offices proving to be significantly more growth orientated than other regions. Analysing the strategies being pursued by multi-year participants, we see that there has been an increase in the percentage of family offices that are pursuing a growth strategy from 29% in 2015 to 36% in 2016. This has come at the expense of those following a balanced strategy – in other words, those who have been cautious are staying cautious, while those sitting on the fence are starting to move towards growth. One CEO of a European family office suggested that those pursuing growth were doing so 'with caution' – carefully considering the associated risks and recognising that you cannot get return without risk. This point was echoed by the CEO of a private multi family office who said they were shying away from opportunities with huge potential returns, because of the huge risks that were obviously associated.

**Fig 1.5. Global investment strategy, by year**
in % of family offices, multi-year participants




Source: The UBS/Campden Wealth Global Family Office Report 2015; The UBS/Campden Wealth Global Family Office Report 2016

**Fig 1.6. Investment strategies, by region, 2016**
% of family offices

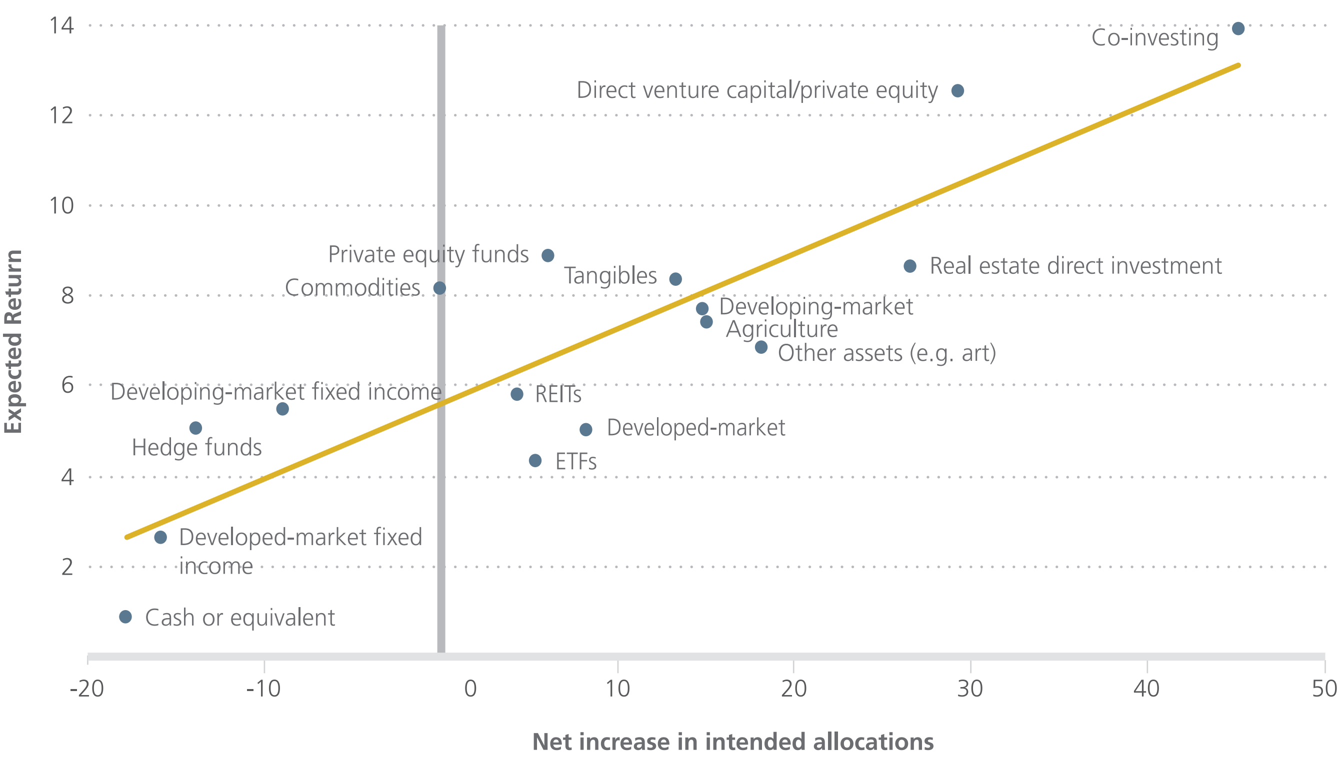
| 2016 | Preservation | Balanced | Growth |
|---|---|---|---|
| Europe | 33 | 53 | 13 |
| North America | 4 | 33 | 63 |
| Asia-Pacific | 25 | 42 | 33 |
| Emerging Markets | 17 | 67 | 17 |

Source: The UBS/Campden Wealth Global Family Office Report 2015
Note: Due to rounding, totals may not add up to 100%

## *Allocations are certainly chasing expected returns*

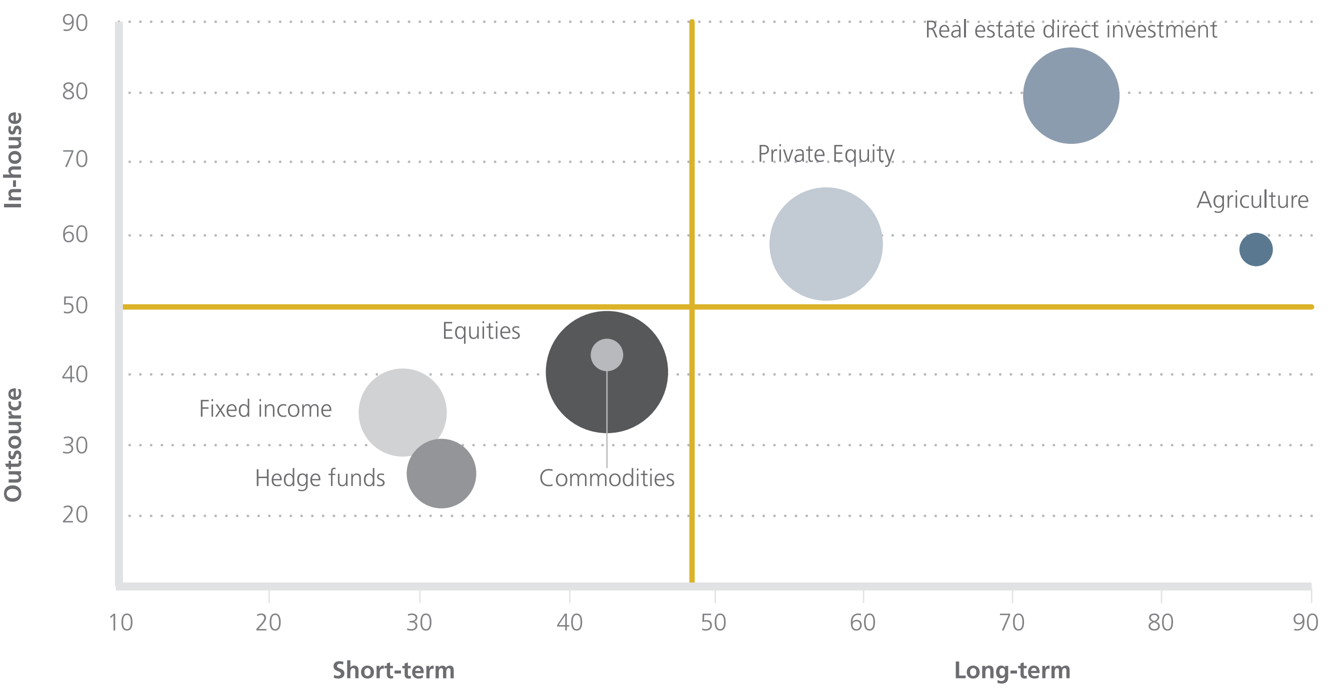
Interestingly, the desire for growth is powerfully illustrated in the accompanying chart which shows a near-straight line relationship between the expected return in 2016 of asset classes and net intended change in asset categories. For all the differences in investment strategies and merits of diversification, family offices are very clearly chasing growth in their asset allocations. Since this means increasing already-popular investment holdings, the result is that exposures will be reinforced rather than diversified.

**Fig 1.7. Investment portfolio; relationship between intended allocations and expected returns**
% of family offices and % of portfolio share




Source: The UBS/Campden Wealth Global Family Office Report 2016

**Fig 1.8. Investment horizon and management approach, by asset class**
in % of family offices




Source: The UBS/Campden Wealth Global Family Office Report 2015; The UBS/Campden Wealth Global Family Office Report 2016

# ENDOWMENT VERSUS FAMILY OFFICE

Endowments might be described as the academic peer of family office portfolios, with their common investment horizons aimed at sustaining wealth for the long-term. As with many academic peers, there is a healthy degree of competition between the two when it comes to performance. For the last few years, however, endowments of the top three US universities (Yale, Princeton and Harvard) and to a lesser extent other US endowments have outperformed the returns of the composite global portfolio of family offices as calculated by ***The Global Family Office Report.***

Comparing the portfolios of these universities and the average family office, it is possible to identify a few factors that are contributing to this. First, and perhaps most importantly, endowments are prepared to take greater risks than family offices in their portfolios. They are more fully invested than family offices, with much lower allocations to cash and fixed income which can be a drag on performance particularly during periods of low interest rates.

Their approach to private equity and venture capital is different to that of family offices. Endowments make significant investments in venture capital and buyouts, whereas family offices often opt for controlling stakes in companies with predictable cash flows. This approach has served endowments well during the last few volatile years. A final factor which may contribute to their performance is the stability in their investment approach and management. They don't have to navigate the vagaries of changes to family control and investment objectives which can negatively impact returns in family offices.

**Recent performance (%)**

| | **2013** | **2014** | **2015** |
|---|---|---|---|
| Family offices | 8.5 | 6.1 | 0.3 |
| Endowments - Top 3 US universities | 11.8 | 18.4 | 10.0 |
| Endowments - All US | 11.7 | 15.5 | 2.4 |

Source: The UBS/Campden Wealth Global Family Office Report 2016, Yale, Princeton and Harvard

**Portfolio holdings (%)**

| | **Family offices** | **Endowments - Top 3 US universities** |
|---|---|---|
| Hedge funds: includes all strategies | 8 | 21 |
| Developed-Market Equity | 19 | 16 |
| Developing-Market Equity | 7 | 10 |
| Private Equity / VC | 22 | 24 |
| Natural Resources | 3 | 8 |
| Real Estate | 19 | 13 |
| Fixed Income | 13 | 8 |
| Cash | 8 | 0 |

Source: The UBS/Campden Wealth Global Family Office Report 2016, Yale, Princeton and Harvard. Note: Due to rounding, totals may not add up to 100%

Developed-Market Equity: adjusted for ETF allocation 2016
Developing-Market Equity: adjusted for ETF allocation 2016
Real Estate: adjusted for tangible assets, REITs and other allocations 2016

Note: Endowments year end - June/July; Family Office year end - December

# 2. FOCUS ON PRIVATE EQUITY, REAL ESTATE AND HEDGE FUNDS

*"In the last several years there's been too much money chasing a lot of private equity deals that we looked at. It can push the prices up."*

CFO, American single family office

*"Families are not getting out of hedge funds. They are looking critically at what hedge funds do and rationalising their portfolios, because there are just too many hedge funds doing the same thing or too many big funds and not enough small ones."*

Board-level adviser to family offices

- There has been a clear move by investors in private equity out of direct investing and into indirect investing, with holdings of private equity funds among multi-year participants increasing by 10 percentage points;

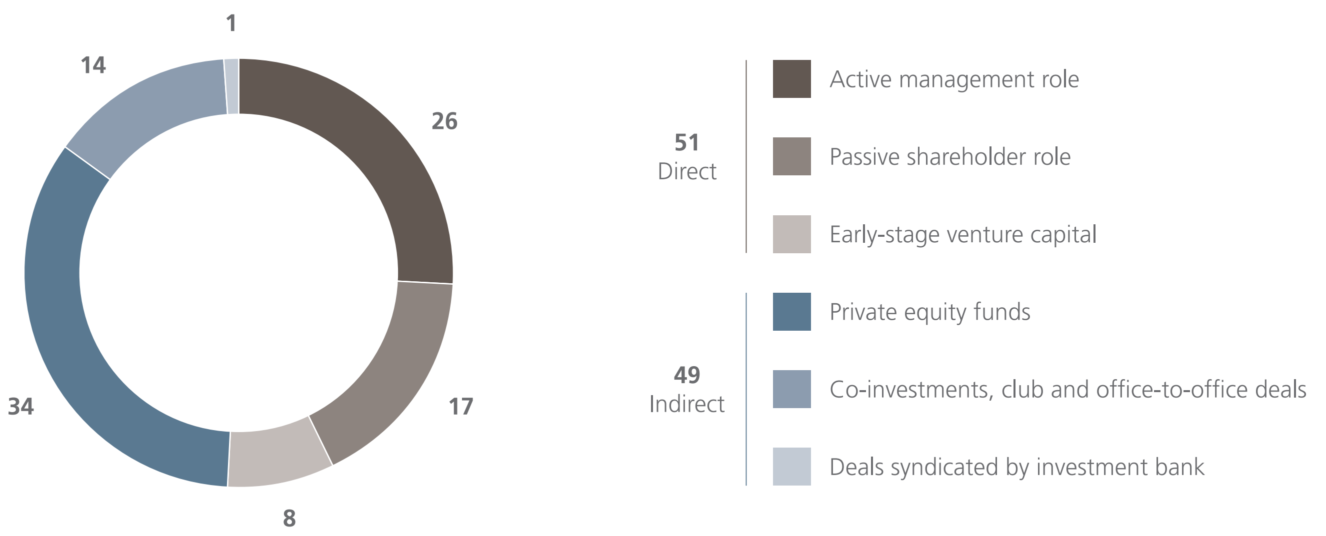
- While more than half of family offices with an interest in co-investing are looking to increase their allocations to this area, there is little change to actual holdings among multi-year participants;

- In contrast to 2015, the expectation is that residential real estate will outperform commercial real estate annually in the returns delivered;

- When it comes to hedge funds, family offices are favouring global macro and market neutral strategies over credit and distressed strategies.

## *Private Equity*

**Fig 2.1. Private equity allocations**
% of portfolio share, private equity holdings only




Source: The UBS/Campden Wealth Global Family Office Report 2016

**Fig 2.2. Changes in private equity allocations, 2015-2016**
% of portfolio share, private equity holdings only, multi-year participants

| % Total Share | 2015 | 2016 | Change |
|---|---|---|---|
| **Direct** | | | |
| Active management role | 29 | 24 | -6 |
| Passive shareholder role | 17 | 17 | -1 |
| Early-stage venture capital | 12 | 9 | -3 |
| **Indirect** | | | |
| Private equity funds | 31 | 41 | 10 |
| Co-investments, club and office-to-office deals | 8 | 7 | 0 |
| Deals syndicated by investment bank | 2 | 2 | 0 |

Source: The UBS/Campden Wealth Global Family Office Report 2015; The UBS/Campden Wealth Global Family Office Report 2016
Note: Due to rounding, totals may not add up to 100%

**Fig 2.3. Private equity investments, annual return expectations**
in %

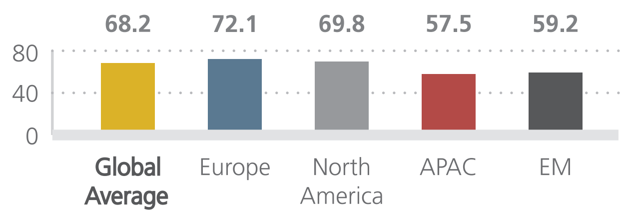
| | Average |
|---|---|
| **Direct** | |
| Active management role | 16.2 |
| Passive shareholder role | 14.2 |
| Early-stage venture capital | 17.3 |
| **Indirect** | |
| Private equity funds | 12.7 |
| Co-investment | 15.0 |
| Deals syndicated by investment bank | 15.0 |

Source: The UBS/Campden Wealth Global Family Office Report 2016

## COMMITMENT TO PRIVATE EQUITY STANDS FIRM

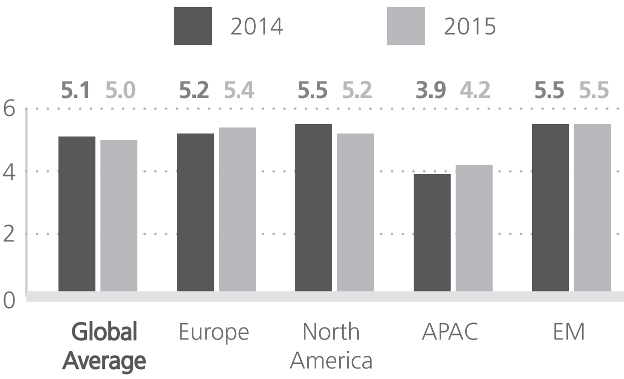
Private equity has become increasingly important in the portfolios of family offices, with the relative allocations of multi-year participants again up on last year. The ongoing enthusiasm for this asset class comes despite a more challenging environment. Data and commentary in last year's report correctly cautioned readers about the challenges facing this asset class, noting the large amounts of money chasing private equity deals and the higher multiples being paid. Family offices were not immune from these factors. New data from family offices showed that just 68% of their private equity holdings performed as expected in 2015. Additionally, the number of private equity deals that family offices were involved in during 2015 was marginally down at 5, compared with 5.1 during 2014.

**Fig 2.4. Private equity holdings performing as expected in 2015**
in %




Source: The UBS/Campden Wealth Global Family Office Report 2016

**Fig 2.5. Private equity deal flow in 2014 and 2015**
Average number of deals




Source: The UBS/Campden Wealth Global Family Office Report 2016

## FUNDS ATTRACT THE LARGEST SHARE OF PRIVATE EQUITY FUNDS

The most striking shift in the nature of private equity investing is a move out of direct investing and into indirect investing. Looking specifically at multi-year participants, this shift towards indirect investing is most clearly seen in the rise in the proportion of private equity in funds, which rose around 10 percentage point to reach 41%, making it the single biggest private equity category by some margin. Private equity funds proved particularly popular among the smaller family offices in the study.

A number of the interviewees did voice concerns about direct investing in private equity, over the more indirect, fund-based avenue. One CEO of a single family office argued that many family offices simply didn't have the expertise, time or manpower to do proper due diligence on individual private equity deals. "I just don't understand why people would think that they can spend a small amount of time, sometimes without even seeing the companies, and do a better job than the partner in a private equity firm, who sweated guts over the deals," he said. The CIO of a smaller single family office said funds were the route they had decided upon for private equity investments precisely because of their limited capabilities.

**FOR ALL THE EXCITEMENT, LEVELS OF CO-INVESTING REMAIN MUTED**

Mention of co-investing is still guaranteed to get hearts racing in the family office community. In chapter one, we noted that more than half of family offices with an interest in this area were looking to increase their allocations to co-investing. The appeal of this asset type lies in the fact that family offices are investing in something that is understood at relatively low costs, with a partner to share the risks. But for all this excitement, the actual changes in the holdings of multi-year participants are slightly down on last year at 7% of overall private equity holdings. Commenting on this mismatch, the CEO of a single family office from Asia-Pacific noted: "My sense is that it is really challenging (to do co-investing deals) in that you have got to have very strong alignment between all the co-investing parties regarding the objectives, investment horizons and all those things before you can push the button."

## *Real Estate*

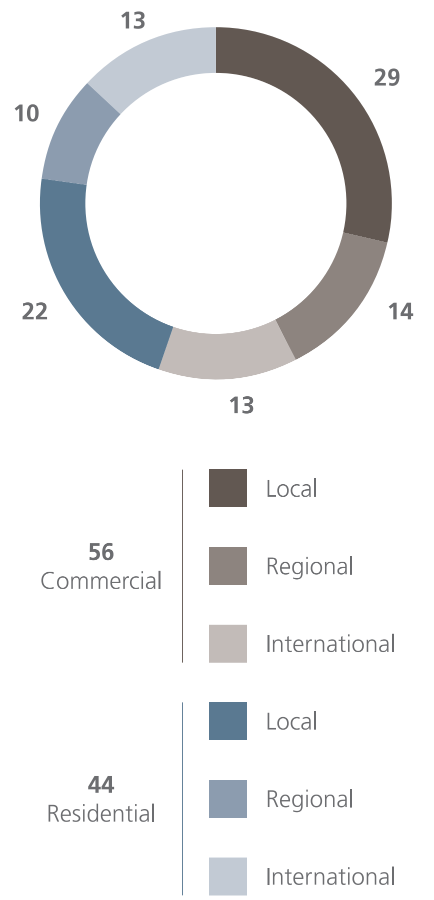
**HOME BIAS REMAINS IN EVIDENCE**

There remains a home bias when it comes to real estate investments – both on the commercial and residential side – with local holdings collectively accounting for 51% of total property portfolios. This is a function of the fact that investments tend to be made by in-house personnel who will generally favour markets that they know. Although a Middle Eastern CEO of a private multi family office notes that there is a real interest in his region in international real estate, driven by the instability that persists locally.

**SHIFT IN RETURN EXPECTATIONS FOR RESIDENTIAL AND COMMERCIAL**

In 2015, the view among multi-year participants was that commercial real estate would outperform residential, whether this was local, regional or international. This year, that has been turned on its head, and the current view is that residential will be the better performing category. Prime residential property around the world has continued to show strength in 2015, rising by an average of 1.8% according to Knight Frank's index of 100 locations. In Europe, the possibility of Britain leaving the EU started to be priced into commercial real estate in 2015, before experiencing a significant fall from favour following the country's decision to leave.

**Fig 2.6. Real estate allocations**
% of portfolio share, real estate holdings only




Source: The UBS/Campden Wealth Global Family Office Report 2016
Note: Due to rounding, totals may not add up to 100%

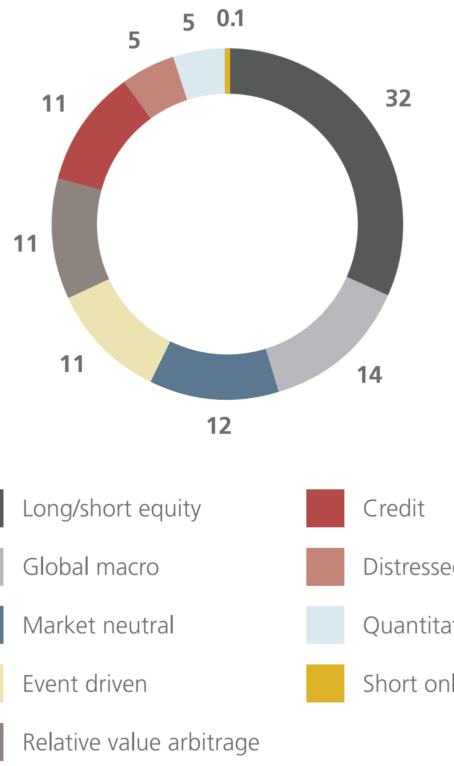
**Fig 2.7. Real estate allocations, annual return expectations**
in %

| | 2015 | 2016 |
|---|---|---|
| **Commercial** | | |
| Local | 10.4 | 9.6 |
| Regional | 11.7 | 11.3 |
| International | 11.8 | 10.6 |
| **Residential** | | |
| Local | 9.0 | 9.9 |
| Regional | 11.2 | 10.0 |
| International | 10.6 | 12.2 |

Source: The UBS/Campden Wealth Global Family Office Report 2015; The UBS/Campden Wealth Global Family Office Report 2016

# *Hedge Funds*

**Fig 2.8. Hedge fund allocations**
in % of portfolio share, hedge fund holdings only




Source: The UBS/Campden Wealth Global Family Office Report 2016
Note: Due to rounding, totals may not add up to 100%

### HIGHER ALLOCATIONS TO GLOBAL MACRO AND MARKET NEUTRAL STRATEGIES

While reducing their overall allocations to hedge funds, family offices have also been shifting the strategies in which they invest. There has been a move out of hedge funds focussing on credit and distressed strategies as worries of oil and energy-related defaults impacted all high yield investments, and into global macro and market neutral strategies.

### DROP-OFF IN RETURN EXPECTATIONS FOR HEDGE FUNDS

There has been some resetting of expectations after the challenging market conditions experienced in the last 12 months, but it is interesting to note that the average change across the various hedge fund strategies is just 0.5 percentage point downwards. And hedge funds still compare quite well relative to return expectations from family offices. This would serve to support the view that hedge funds have fallen out of favour due to something more structural, notably the high fee levels, prolonged underperformance and doubts over their ability to generate alpha.

**Fig 2.9. Changes in hedge funds allocations, 2015-2016**
% of portfolio share, hedge fund holdings only, multi-year participants

| | 2015 | 2016 | Change |
|---|---|---|---|
| Long/short equity | 23 | 27 | 5 |
| Global macro | 10 | 16 | 6 |
| Market neutral | 5 | 11 | 6 |
| Event driven | 14 | 15 | 1 |
| Relative value arbitrage (includes convertible, fixed-income, and merger arbitrage) | 13 | 13 | 0 |
| Credit | 15 | 8 | -7 |
| Distressed | 11 | 6 | -5 |
| Quantitative | 7 | 3 | -3 |
| Short only | 3 | 0 | -3 |

Source: The UBS/Campden Wealth Global Family Office Report 2015; The UBS/Campden Wealth Global Family Office Report 2016
Note: Due to rounding, totals may not add up to 100%

**Fig 2.10. Hedge fund allocations, annual return expectations**
in %

| | 2015 | 2016 |
|---|---|---|
| Distressed | 10.5 | 11.2 |
| Event driven | 9.6 | 9.2 |
| Quantitative | 10.0 | 8.6 |
| Long/short equity | 9.5 | 8.1 |
| Global macro | 8.3 | 7.9 |
| Relative value arbitrage (includes convertible, fixed-income, and merger arbitrage) | 8.3 | 7.7 |
| Market neutral | 7.5 | 7.5 |
| Credit | 8.3 | 7.5 |
| Short only | 5.0 | 5.0 |

Source: The UBS/Campden Wealth Global Family Office Report 2015; The UBS/Campden Wealth Global Family Office Report 2016

# 3.
# PERFORMANCE

> *"Family offices will tell you: 'we're not timing experts, we're not traders, we're not in and out of markets, we take a long-term view. Now, we may get the long-term view wrong, but that's the way the family wants it."*
>
> Non-executive director to family offices

• The average family office portfolio returned just 0.3% in 2015, reflecting weaknesses in a variety of asset classes including fixed income and equity;

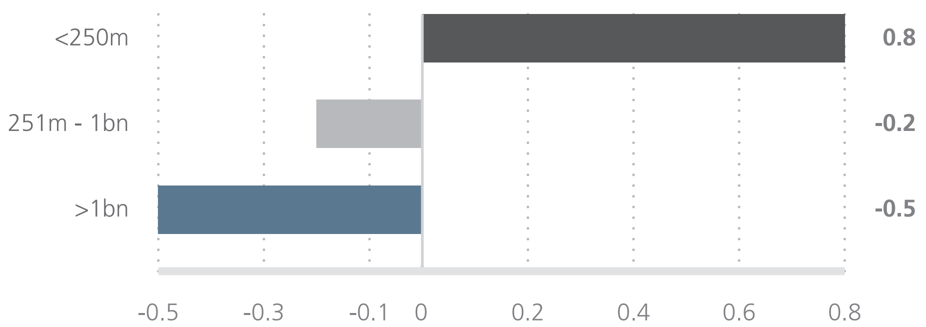
• Performance in Europe was marginally ahead of the other regions, with an average return on family office portfolios of 0.6% in 2015. North America recorded 0.3%, Asia-Pacific 0% and Emerging Markets (ex Asia-Pacific) -0.6%;

• Return expectations for asset categories have been revised downwards as a result, but historic expectations still seem to be more of an influencer than recent performances.

## *Overall returns are down sharply*

The performance of family office portfolios was down sharply on preceding years. After returning 8.5% in 2013 and 6.1% in 2014, the composite global portfolio of family offices returned a meagre 0.3% in 2015. The lower performance reflects generally weak to woeful returns from a variety of asset classes, including the mainstays of fixed income and equity, as well as weakness in commodities and hedge funds.

**Fig 3.1. 2015 Estimated benchmark performance of global composite portfolio, by AUM**
in % return




Source: The UBS/Campden Wealth Global Family Office Report 2016

## *Private equity and real estate were the two bright spots*

Private equity and real estate once again outperformed most other asset classes, and will have saved many family offices executives the indignity of delivering overall portfolio losses to the beneficial owners in the last year. Both of these illiquid assets are core parts of ultra-high net worth portfolios, and in the last few years have ensured that the fortunes of the world's wealthiest have comparably outperformed their less wealthy counterparts.

**Fig 3.2. Estimated benchmark performance of global composite portfolio, by asset class**
in %

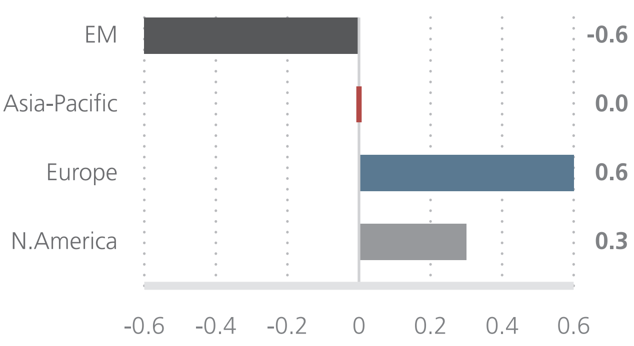
| Asset Class | Benchmark Performance Index | 2013 | | 2014 | | 2015 | |
|---|---|---|---|---|---|---|---|
| | | Performance | Allocation | Performance | Allocation | Performance | Allocation |
| Developed-market fixed income | BBG Global IG Corp (BCOR) | -0.1 | 6 | 2.5 | 5.2 | -4.2 | 4.7 |
| | BBG Global HY Corp (BHYC) | 7.4 | 5 | 0.2 | 5.2 | -4.7 | 4.7 |
| Developing-market fixed income | BBG EM Local Sov (BLCSV) | -4 | 4 | 3.7 | 4 | -2.0 | 3.4 |
| Developed-market equities | MXWO (Bloomberg) | 24 | 19 | 2.9 | 21.7 | -2.7 | 19.4 |
| Developing-market equities | MXEF (Bloomberg) | -4.9 | 7 | -4.6 | 7 | -16.9 | 7.1 |
| Private equity: includes direct, venture, funds, co-investing & investment bank syndication | Based on Cambridge Associates 2015 data for US PE | 14.9 | 22 | 15 | 22 | 5.9 | 21.6 |
| Direct investment / private equity | | | | | | | |
| Private equity funds | | | | | | | |
| Co-investing | | | | | | | |
| Real estate direct investment ADJUSTED for Tangibles and Other assets in 2015 and 2016 | Euro REITS based on EPRA index (Bloomberg) | | | 6.4 | 7.2 | 15.3 | 9.2 |
| | US REITS based DJUSRE index (Bloomberg) | | | 22 | 7.2 | 2.1 | 9.2 |
| | US REITS based DJUSRE index (UBCIWR30) | 3.3 | 14 | | | | |
| Hedge funds | HFRXGL Global HF index (monthly) | 6.7 | 4 | -0.4 | 3 | -3.6 | 2.7 |
| | HFRXMMS multi-strat index macro (monthly) | 3.9 | 4 | 2.6 | 3 | -1.8 | 2.7 |
| | HFRXEH Equity hedged (monthly) | | | 1.3 | 3 | -2.3 | 2.7 |
| ETFs | Allocation and performance incl Equity allocation | | | | | | |
| Tangibles | Allocation included in Real estate direct investment | | | | | | |
| Other assets (e.g. art) | Allocation included in Real estate direct investment | | | | | | |
| REITs | FTSE ENXG Index (Bloomberg) | 3.3 | 1 | 2.5 | 0.8 | 0.8 | 0.9 |
| Agriculture (forest, farmland, etc.) | Euro REITS based on EPRA index (Bloomberg) | | | 6.4 | 1 | 15.3 | 0.9 |
| | US REITS based DJUSRE index (Bloomberg | | | 22 | 1 | 2.1 | 0.9 |
| | US REITS performance as proxy (UBCIWR30) | 3.3 | 3 | | | | |
| Commodities - Approximate asset allocation - Categorical | CRY Bloomberg commodity | -5.1 | 2 | -17.8 | 1.5 | -22.8 | 1.6 |
| Cash or equivalent | 3 months deposit rate | 0.3 | 9 | 0 | 7.2 | 0.3 | 8.4 |
| **TOTAL** | | **8.5** | | **6.1** | | **0.3** | |

Source: The UBS/Campden Wealth Global Family Office Report 2015; The UBS/Campden Wealth Global Family Office Report 2016
Note: Estimated performance is based on select indexes and shown in USD, therefore the outcome is likely to vary when expressed in home currency. Figures were also rebased to accommodate omitted values and impacted by revised proxies. Although every effort is made to engage widely with family offices, participation is voluntary and some degree of self-selection bias may result in returns being slightly overstated.

## *Europe produced the strongest performance globally*

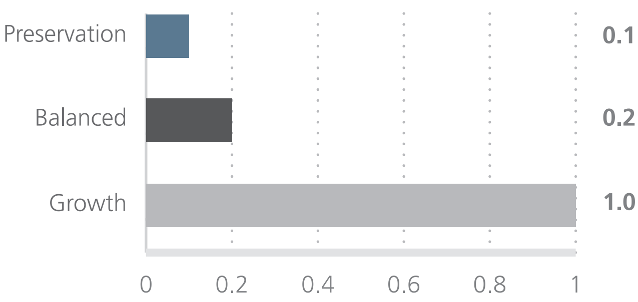
There wasn't a great deal of variation in the performance of the regions – they were all buffeted to a lesser or greater extent by the turmoil. Europe came out marginally ahead of the others, with an average return on family office portfolios of 0.6% in 2015, due to their large real estate holdings and interests in private equity. They were followed by North America with an average return of 0.3%, Asia-Pacific at 0% and Emerging Markets (ex Asia-Pacific) at -0.6%. The latter two regions were impacted by the heavy falls within developing market equity and fixed income markets. Performance was disappointing both in absolute terms and when compared with past years and other measures of economic prosperity like real GDP, which averaged 2.4% in 2015 (World Bank).

**Fig 3.3. 2015 Estimated benchmark performance of global composite portfolio, by region**
in % return




Source: The UBS/Campden Wealth Global Family Office Report 2016

**Fig 3.4. 2015 Estimated benchmark performance of global composite portfolio, by strategy**
in % return




Source: The UBS/Campden Wealth Global Family Office Report 2016

## *Growth strategies achieved higher returns*

The various investment strategies broadly managed to perform as expected in 2015, something which is far from guaranteed on an annual basis. Growth produced the strongest returns (1%), followed by balanced (0.2%) and finally preservation (0.1%). Family offices pursuing growth strategies have significantly more invested in private equity, which enjoyed a relatively strong performance during the period.

## *Expectations are somewhat lower going forward*

The full extent of just how bad a year 2015 really was for family offices is shown in figure 3.6, which shows how expected performances compared with actual performances. In the last calendar year, every single asset class underperformed expectations – including cash, with the biggest disappointments coming from equity-linked assets. This represents the third year of unrequited optimism since we started capturing this metric in ***The Global Family Office Report*** series.

It will come as no surprise then to see that expectations for 2016 have been substantially revised downwards across the various asset classes, although it is fair to say that historic (incorrect) expectations still seem to be more of an influencer than recent performances. This leaves much room to question just how good family offices are at predicting returns. Interviews with family offices suggest that the process of forecasting is fairly rudimentary in many cases – in one case, involving a couple of datasets and a trend line. A legitimate challenge from family offices is whether they need to be accurate with their one-year forecasts given their multi-year investment horizon. Indeed, the CEO of an Asia-Pacific single family office notes: "We don't spend a lot of time forecasting from a quantitative point of view. We do spend a lot of time thinking about the future outlook from a qualitative point of view, and the trends and directions. To us that is far more important."

There may also be some important changes in the type of forecasting that is done by offices that are active in this area. One board-level adviser to family offices said that within sophisticated family offices "there is a lot more forecasting around how much risk they can afford on the downside. The focus has shifted from returns to risk budgeting".

**Fig 3.5. Market expectations of performance, by asset class, 2014-2016**
in % return

| Average | 2014 | 2015 | 2016 |
|---|---|---|---|
| **Bonds** | | | |
| Developed-market fixed income | 3.5 | 3.1 | 2.6 |
| Developing-market fixed income | 5.8 | 5.7 | 5.5 |
| **Equities** | | | |
| Developed-market | 7.8 | 7.9 | 5.0 |
| Developing-market | 10.3 | 10.1 | 7.7 |
| **Alternative investments** | | | |
| Private equity: includes direct, venture, funds, co-investing and investment bank syndication | 15.8 | 15.5 | |
| Direct venture capital/private equity | | | 12.5 |
| Private equity funds | | | 8.9 |
| Co-investing | | | 13.9 |
| Hedge funds | 7.3 | 7.8 | 5.0 |
| Real estate direct investment | 10.9 | 10.7 | 8.6 |
| REITs | 7.2 | 7.3 | 5.8 |
| ETFs | 7.6 | 6.9 | 4.3 |
| Tangibles | 13.3 | 13.2 | 8.3 |
| Other assets (e.g. art) | 13.0 | 13.0 | 6.8 |
| **Commodities** | | | |
| Agriculture | 9.3 | 9.3 | 7.4 |
| Commodities | 8.1 | 8.3 | 8.1 |
| **Cash or equivalent** | **2.2** | **1.9** | **0.9** |

Source: The UBS/Campden Wealth Global Family Office Report 2015; The UBS/Campden Wealth Global Family Office Report 2016

**Fig 3.6. Actualised return vs. market expectations, 2015**
in % return

| Average | Benchmark Return 2015 | Expected Return in 2015 | Overall underperformance/ overperformance against expectations |
|---|---|---|---|
| Direct venture capital/private equity | | | n/a |
| Private equity funds | | | n/a |
| Co-investing | | | n/a |
| Private equity: includes direct, venture, funds, co-investing and investment bank syndication | 5.9 | 15.5 | -9.6 |
| Developed-market fixed income | -4.5 | 3.1 | -7.6 |
| Cash or equivalent | 0.3 | 1.9 | -1.6 |
| Real estate direct investment | 8.7 | 10.7 | -2.0 |
| Developing-market fixed income | -2.0 | 5.7 | -7.7 |
| REITs | 2.5 | 7.3 | -4.8 |
| Developed-market equities | -2.7 | 7.9 | -10.6 |
| Hedge funds | -2.6 | 7.8 | -10.4 |
| Agriculture | 8.7 | 9.3 | -0.6 |
| Commodities | -22.8 | 8.3 | -31.1 |
| Developing-market equities | -16.9 | 10.1 | -27.0 |

Source: The UBS/Campden Wealth Global Family Office Report 2015; The UBS/Campden Wealth Global Family Office Report 2016

# STRUCTURES

*4. Costs*

*5. Services*

*6. Human Capital*

# 4. COSTS

> *"You can now have a conversation with asset managers about price. They might say no, but you can have that conversation, whereas maybe five years ago it was an accepted fee and you just kind of took it."*
>
> CEO, private multi family office

- One third of family offices are more or significantly more cost conscious than they were 12 months ago;

- Operating costs (before external manager performance fees) among multi-year participants have decreased from 79.4 basis points of AUM in 2015 to 76.0 basis points in 2016;

- Family offices have succeeded in pushing down costs both in administrative activities, which were up markedly last year, and investments, where lower formula-based bonuses provided a useful tailwind this year.

## *Greater levels of cost consciousness*

Perhaps the most eye-opening finding in ***The Global Family Office Report 2015*** was that total operating costs of family offices had jumped by some 7 basis points of AUM compared with the previous year. At the time, our recommendation to family, executives and external providers was to focus on this area and actively manage it to achieve the best value possible. Encouragingly, our large-scale survey of family offices reveals that family office executives have taken this to heart. Asked whether they are more or less cost conscious, we found that over a third of family offices were more or significantly more cost conscious than they were 12 months ago.

For some this cost consciousness has been a recent development, prompted by the lower returns being achieved or a belief that we are in a 'low-return world'. Other family offices said that costs have been a focus for some time, but that the benefits of the remedial actions are just starting to come through.

## *Total operating costs have decreased*

Thanks partly to this rising cost consciousness, family office executives are managing to stem the tide of the increases. Indeed, among multi-year participants operating costs (before external manager performance fees) have decreased from 79.4 basis points of AUM in 2015 to 76.0 basis points in 2016. Investment manager performance fees among this same group continued to rise from 19.7 basis points to 22.1 basis points. This somewhat counter-intuitive finding may simply be due to the timing of performance fees or the shifting portfolio allocations, and is an area for future study.

**Fig 4.1. Changes in cost**
in basis points, multi-year participants

| Average | 2015 | 2016 |
|---|---|---|
| Operating costs (without external manager performance fees) | 79.4 | 76.0 |
| Investment manager performance fees (actuals for last period) | 19.7 | 22.1 |
| **Total operating cost** | **99.1** | **98.1** |

Source: The UBS/Campden Wealth Global Family Office Report 2015; The UBS/Campden Wealth Global Family Office Report 2016

## *Investment and administrative costs have come down*

The cost category that saw the greatest cost pressure in 2015 was administrative activities, and this is one of the two categories where family offices have succeeded in making reductions this year. Interestingly, this is despite the growing wealth levels and number of beneficiaries that many family offices are having to support. The other category where they have been able to chip away at costs is investments. The helpful tailwind has been bonuses, which have been subdued due to the lower investment performances. But a number of family offices talked of more active management in this area. The head of a single family office said they had replicated externally-sourced strategies in-house to lower costs, aggregated assets in order to achieve better terms and successfully challenged managers about their costs. "If you take away five basis points or even two or one basis points, it helps move you in the right direction."

The squeeze on investment costs is certainly confirmed by one international wealth manager who attributes it directly to the low return environment. He notes that sophisticated and specialised family offices are increasingly making use of electronic trading or digital platforms for more cost effective execution. He believes family offices can manage their investment costs down further. "If you apply the general trend that we have seen among institutional asset managers, you should see family offices drive down costs year on year."

**Fig 4.2. Changes in cost-categories**
in basis points (of AUM), multi-year participants

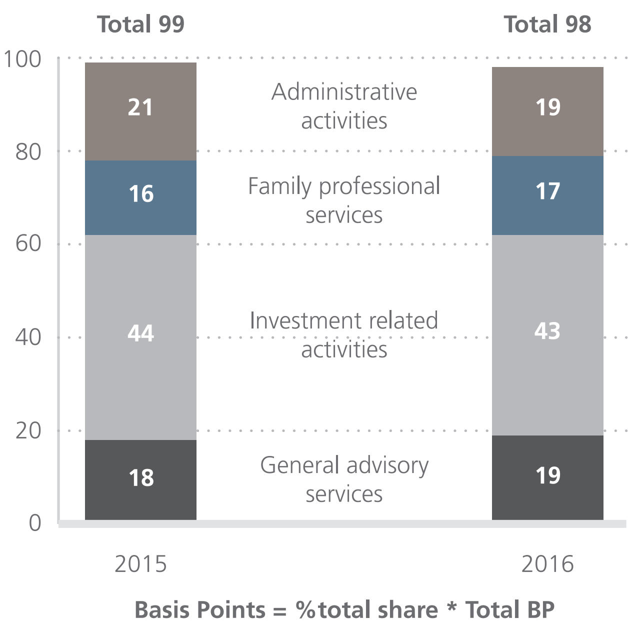



**Fig 4.3. General description of service categories**

| | |
|---|---|
| **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, art, aircraft, yachts); entrepreneurial projects; education planning; next generation mentoring; entrepreneurship; communication between generations. |
| **Administrative activities** | Accounting; book-keeping; 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. |

Source: The UBS/Campden Wealth Global Family Office Report 2015; The UBS/Campden Wealth Global Family Office Report 2016

**Fig 4.4. Average operating cost, by region and AUM**
in basis points (of AUM)

| | Region | | | | Assets under management (USD) | | |
|---|---|---|---|---|---|---|---|
| **Average** | **Europe** | **N. America** | **APAC** | **EM** | **<250m** | **251m - 1bn** | **>1bn** |
| Operating costs (without external manager performance fees) | 78.9 | 71.6 | 91.2 | 67.8 | 76.7 | 80.6 | 73.7 |
| External manager performance fees (2015 benchmark) | 21.7 | 20.2 | 24.2 | 36.8 | 21.2 | 24.4 | 24.4 |
| External manager performance fees (2016 estimate) | 20.6 | 23.4 | 23.4 | 38.2 | 21.2 | 24.1 | 26.0 |
| **Total Operating Cost (2015)** | **100.7** | **91.8** | **115.4** | **104.6** | **97.9** | **104.9** | **98.1** |

Source: The UBS/Campden Wealth Global Family Office Report 2015; The UBS/Campden Wealth Global Family Office Report 2016
Note: Due to rounding, totals may not add up to 100%

# 5.
# SERVICES

> *"If families don't have anybody on their staff who is a crackerjack IT person, given the way that IT and security are moving, then I think they're not providing a good service to the family."*
> Non-executive director to family offices

• Information technology costs are the largest administrative cost, accounting for USD 497,000 on average within family offices globally;

• Family offices commonly have software to help with accounting and consolidation, archive and data storage as well as reporting systems;

• Satisfaction with software is reasonable, but far from impressive with 25%-45% of family offices either sitting on the fence or dissatisfied with their IT providers.

## *Average spend on services is USD 7.7m*

Once again, this year we have provided breakdowns of the average costs of family offices, both in terms of basis points of assets under management, and average monetary values – utilising the average AUM of USD 759m.

For comparison purposes we have also included data showing how the costs have evolved year-on-year for our multi-year participants. In the area of investment-related services, we see specific reductions in the costs associated with asset allocations among family offices. This function is typically performed in-house and may have benefited from the lower performance-related bonuses being paid. Within advisory services, decreases are also in evidence in the area of financial planning, another function which is frequently done in-house and where there is some discretion in terms of timing.

## *Family offices spend around USD 497,000 on IT*

To provide visibility into what can be a catch-all cost category, we asked family offices to detail how their administrative costs break down. Information technology (IT) costs are the largest cost category, accounting for USD 497,000 on average within family offices globally. IT, including hardware, software and support, is the only administrative area where substantial use of outsourcing is made by family offices. Another notable cost within this category is office overheads which account of USD 398,000 of 5.2 basis points.

## Fig 5.1. Costs and management of individual services from main service categories

| Operating Costs (without external manager performance fees) | Proportion of operating costs, in % | Operating costs in basis points (of AUM) | Operating cost for the average family office, in USD | Management in % of family offices | | |
|---|---|---|---|---|---|---|
| Service | | | | In-house | Both | Outsourced |
| **Family professional services** | **15** | **11.4** | **869,000** | | | |
| Family governance and succession planning | | 2.0 | 149,000 | 54 | 41 | 5 |
| Management of high-value physical assets (e.g. property, art, aircraft, yachts) | | 1.9 | 144,000 | 65 | 29 | 6 |
| Support for new family business and other projects | | 2.6 | 201,000 | 70 | 25 | 5 |
| Concierge services and security | | 2.4 | 186,000 | 64 | 29 | 7 |
| Family counselling / relationship management | | 2.5 | 188,000 | 77 | 17 | 6 |
| **Administrative activities** | **21** | **16.5** | **1,251,000** | | | |
| Accounting | | 2.5 | 190,000 | 51 | 34 | 15 |
| Office overheads | | 5.2 | 398,000 | 81 | 12 | 4 |
| IT costs | | 6.6 | 497,000 | 31 | 19 | 49 |
| Other office services | | 2.2 | 166,000 | 65 | 24 | 8 |
| **General advisory services** | **20** | **15.9** | **1,209,000** | | | |
| Financial planning | | 4.3 | 323,000 | 59 | 29 | 12 |
| Tax planning | | 3.4 | 256,000 | 11 | 53 | 36 |
| Legal services | | 2.0 | 150,000 | 2 | 39 | 59 |
| Trust management | | 3.0 | 226,000 | 25 | 43 | 32 |
| Estate planning | | 0.9 | 69,000 | 27 | 46 | 27 |
| Insurance planning | | 2.4 | 184,000 | 18 | 35 | 47 |
| **Investment related activities** | **44** | **34.4** | **2,608,000** | | | |
| Asset allocation | | 4.2 | 315,000 | 74 | 18 | 7 |
| Real estate | | 2.2 | 170,000 | 56 | 31 | 13 |
| Financial accounting | | 3.9 | 296,000 | 61 | 27 | 12 |
| Manager selection / oversight | | 2.4 | 181,000 | 56 | 30 | 14 |
| Traditional investment | | 3.7 | 278,000 | 60 | 30 | 10 |
| Investment banking functions | | 2.9 | 217,000 | 37 | 48 | 15 |
| Alternative investment | | 4.0 | 303,000 | 43 | 37 | 20 |
| Private banking | | 2.8 | 215,000 | 28 | 26 | 46 |
| Risk management | | 3.9 | 298,000 | 69 | 19 | 12 |
| Global custody and integrated investment reporting | | 1.8 | 138,000 | 31 | 21 | 48 |
| Philanthropy | | 0.9 | 72,000 | 76 | 14 | 10 |
| FX management | | 1.7 | 125,000 | 58 | 33 | 9 |
| **Total** | | **78.2** | **5,937,000** | | | |

| | Costs in basis points (of AUM) | Cost for the average family office, in USD |
|---|---|---|
| **External manager performance fees** | **22.9** | **1,735,000** |

Note: These costs are inclusive of all internal (including staff) and external costs and should be considered alongside the average family office portfolio. The operating costs in dollar terms are calculated based on the average family office AUM of USD 759m

Source: The UBS/Campden Wealth Global Family Office Report 2016 / Note: Due to rounding, totals may not add up to 100%

**Fig 5.2. Change in cost categories 2015-2016**
% of total cost per service, multi-year participants

| | 2015 | 2016 | Change |
|---|---|---|---|
| **Family and professional services** | | | |
| Family governance and succession planning | 37 | 26 | -11 |
| Family counselling / relationship management | 18 | 20 | 2 |
| Support for new family business and other projects | 13 | 19 | 6 |
| Concierge services and security | 20 | 19 | -2 |
| Management of high-value physical assets (e.g. property, art, aircraft, yachts) | 11 | 16 | 5 |
| **Administrative activities** | | | |
| Accounting | | 38 | |
| Office overheads | | 28 | |
| Other office services | | 18 | |
| IT costs | | 15 | |
| **General advisory services** | | | |
| Financial planning | 31 | 25 | -6 |
| Tax planning | 23 | 23 | -1 |
| Trust management | 14 | 17 | 3 |
| Legal services | 15 | 16 | 1 |
| Estate planning | 13 | 14 | 1 |
| Insurance planning | 4 | 5 | 1 |
| **Investment related activities** | | | |
| Traditional investment | 19 | 16 | -2 |
| Manager selection / oversight | 12 | 14 | 2 |
| Asset allocation | 17 | 13 | -3 |
| Financial accounting | 13 | 12 | -2 |
| Real estate | 11 | 10 | -1 |
| Alternative investment | 6 | 8 | 2 |
| Risk management | 5 | 6 | 2 |
| Private banking | 2 | 6 | 4 |
| Investment banking functions | 6 | 5 | 0 |
| Philanthropy | 3 | 4 | 1 |
| Global custody and integrated investment reporting | 4 | 3 | -1 |
| Fx management | 2 | 2 | 0 |

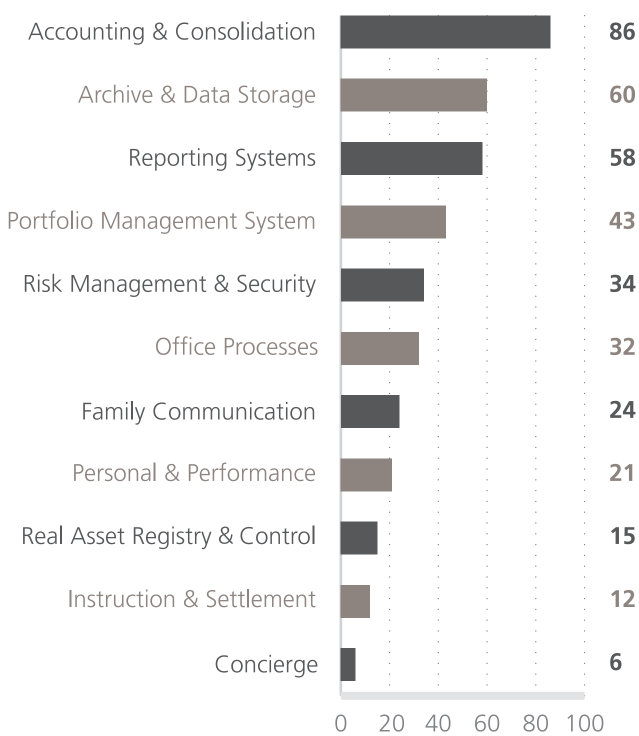
Source: The UBS/Campden Wealth Global Family Office Report 2015; The UBS/Campden Wealth Global Family Office Report 2016

## *IT typically covers a number of core areas*

To learn more about how IT is really used within family offices, we made this a special focus area of this year's research. The first area we explored was what software was used within family offices. We found that accounting and consolidation software was virtually ubiquitous among family offices, and that around two-thirds have archive and data storage as well as reporting systems. Usage of software in other areas tends to be much more patchy, reflecting the differing responsibilities and complexities of family offices.

The vast majority of the software is externally developed, with relatively few deciding to develop their own software. One private multi family office which uses internally developed software explained that they just happened to have the internal skills and therefore decided to develop exactly what they needed, being careful to use an existing software platform. A top executive from an international wealth manager contests the wisdom of such in-house development, saying in his experience, in-house software development takes longer and costs more than expected, and exposes family offices to maintenance and security risks.

**Fig 5.3. Software used by family office**
% of family offices, multiple options permitted



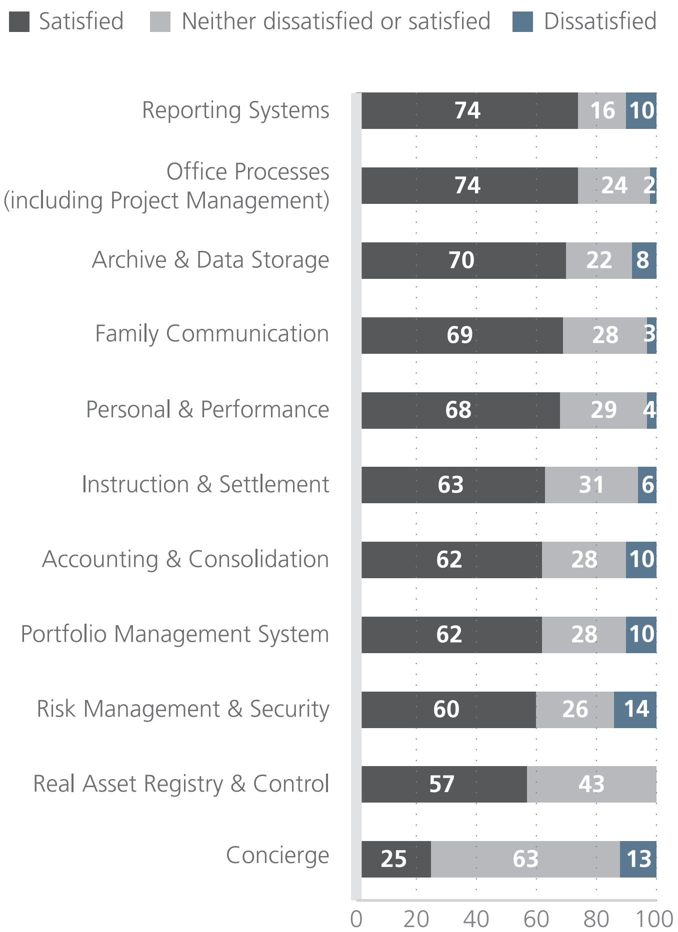

Source: The UBS/Campden Wealth Global Family Office Report 2016

## *Satisfaction with IT is reasonable, but far from impressive*

While family offices might be described as generally satisfied with their IT, there are significant numbers of family offices that are either sitting on the fence or dissatisfied with their IT providers. This combined group makes up between 25%-45% of the respondents for all types of software, although concierge does score significantly worse, albeit off a much smaller sample size. Reflecting on these scores in the context of the high standard of ultra-high net worth service, it's fair to say that service providers could and should be raising their game markedly in this area.

A family advisory executive from a large wealth manager observed, "I'm surprised that the satisfaction levels are reasonable, because everybody gripes about software. It's one of the areas when we have to advise where I'm always nervous because nothing out there is really perfect."

**Fig 5.4. Satisfaction with software used by family office**
% of family offices



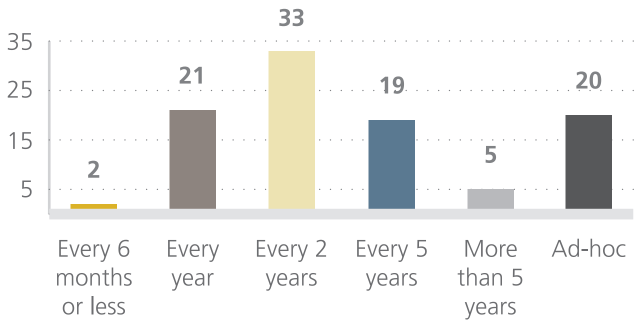

Source: The UBS/Campden Wealth Global Family Office Report 2016
Note: Due to rounding, totals may not add up to 100%

## *IT is typically reviewed every couple of years*

Just over half of respondents will review their IT infrastructure every two years or more frequently, but there is considerable variation within the family office community. Some 19% will only look at it every five years, and another 20% will only do it on an ad-hoc basis – probably when some issue arises.

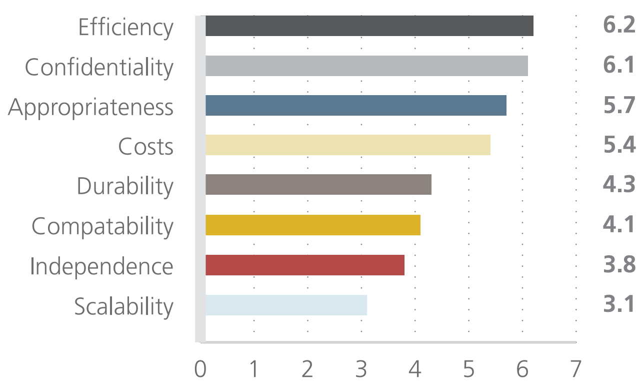
When it comes to making an IT decision, practical considerations such as efficiency, confidentiality and appropriateness rank highest. The importance of confidentiality may well be heightened within family offices given the particular exposures that families face. IT service providers will be interested to see that cost only comes in fourth, and that independence of provider trails near the bottom of the list, revealing a bias towards the benefits of the offering rather than the nature of the provider.

**Fig 5.5. Frequency of software review**
% of family offices




Source: The UBS/Campden Wealth Global Family Office Report 2016

**Fig 5.6. Factors influencing IT decisions**
Ranked according to importance: 1- most important; 8 - unimportant




Source: The UBS/Campden Wealth Global Family Office Report 2016

# 6.
# HUMAN CAPITAL

• Around half or more of family offices across the regions offer executives the opportunity to co-invest with them, making it the most common long-term benefit;

• Bonuses for C-suite positions were 30% to 45% of base salary last year, with the largest payouts as a percentage of salary evidenced in North America;

• Bonuses are frequently discretionary in nature or a mix of discretionary and formula-based for C-suite executives, except in the case of CIOs where it is more formula-based.

In this year's report we have narrowed the human resources focus to the four key positions within family offices: chief executive officers (CEO), chief investment officers (CIO), chief operations officers (COO) and chief financial officers (CFO). And while we continue to map salaries for these positions, we have introduced a broad range of questions around incentives and bonuses, which we will track going forward. The fundamentals of salaries remain fairly similar to last year, across the globe and by assets under management, so this section will primarily focus on the additional incentives on offer.

## *Various long-term incentives are offered to C-suite executives*

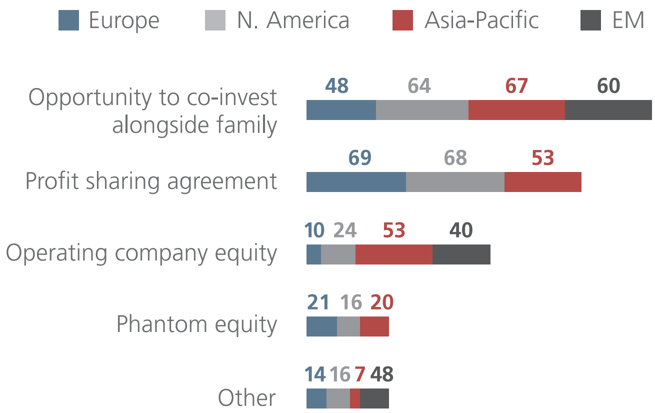
Family offices are differentiated from other financial services entities by their long-term investment focus, access to a wide variety of liquid and illiquid opportunities, and, in some cases, their association with operating businesses. In incentivising their key executives, family offices are finding ways for their executives to benefit from these. Our investigation of what long-term incentives are on offer to executives, finds that opportunities to co-invest is the most common long-term benefit offered to executives. Around half or more of family offices across the regions currently offer this benefit to their executives. Another relatively common aspect is a profit sharing agreement for executives, to help ensure better alignment. Equity, whether this is real equity in the operating business or phantom equity, is another benefit which is available in some family offices.

**Fig 6.1. Compensation, by position**

| Average | Average base salary by position in USD | Average bonus as % of salary |
|---|---|---|
| Chief Executive Officer | 309,000 | 42 |
| Chief Investment Officer | 267,000 | 45 |
| Chief Operations Officer | 198,000 | 37 |
| Chief Financial Officer | 206,000 | 31 |

Source: The UBS/Campden Wealth Global Family Office Report 2016

**Fig 6.2. Nature of long-term incentives, by region**
% of family offices




Source: The UBS/Campden Wealth Global Family Office Report 2016

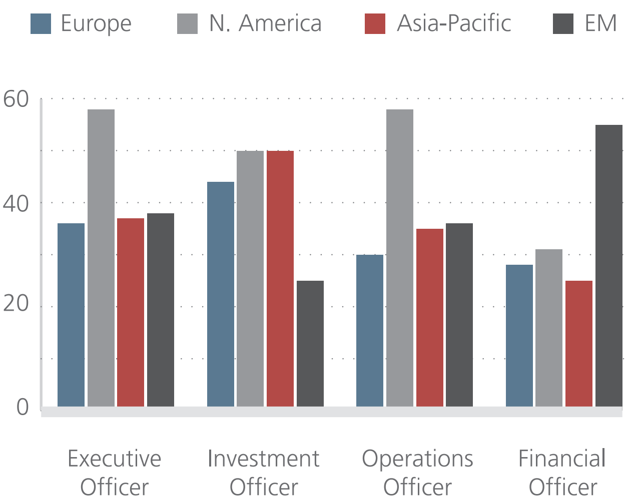
## *Bonuses are frequently discretionary*

Bonuses are frequently discretionary in nature or a mix of discretionary and formula-based for C-suite executives, except in the case of CIOs where bonuses tend to be more formula-based. This recognises the differing responsibilities of the personnel and the direct relationships that CIOs have with performance.

## *Bonuses are typically between 30%-45%*

At a headline level, the level of bonuses as a percentage of base salary for these four positions last year ranged from 30% to 45%. Levels are lower compared with previous years, given the significantly lower returns on portfolios. This will have directly impacted formula-based salaries, and likely also impacted those with discretionary salaries, particularly given the greater cost consciousness mentioned earlier in the report.

**Fig 6.3. Bonus structure, by region**
Average bonus as % of salary




Source: The UBS/Campden Wealth Global Family Office Report 2016

**Fig 6.4. CEO compensation, by AUM in USD thousands**

| | AUM | | |
|---|---|---|---|
| | <250m | 251m - 1bn | >1bn |
| CEO base salary | 249.5 ▼ | 315.5 | 476.7 ▲ |

Source: The UBS/Campden Wealth Global Family Office Report 2016

## *Bonuses were more generous for North American executives*

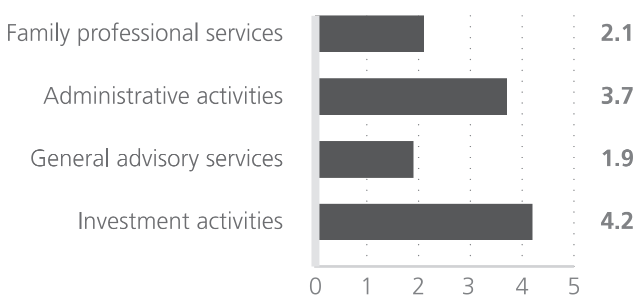
The scale of bonuses differs by region, with the largest payouts as a percentage of salary evidenced in North America, where most of the C-suite executives enjoyed 50%-plus bonuses last year. The returns achieved in this region will have contributed to these higher payments, but ***The Global Family Office Report*** series has repeatedly shown that CEOs in this region enjoy some of the highest salaries globally both on an absolute and relative basis.

**Fig 6.5. CEO compensation, by region**

| Average | Europe | N. America | APAC | EM |
|---|---|---|---|---|
| CEO base salary, in USD thousands | 303 | 371 | 276 | 236 |
| Average AUM, in USD millions | 795 | 912 | 492 | 477 |
| CEO salary, in dollars per USD million of AUM | 381 | 407 | 561 | 495 |
| Bonus as % of salary | 36 | 58 | 37 | 38 |

Source: The UBS/Campden Wealth Global Family Office Report 2016

**Fig 6.6. Average number of staff per service area**




Source: The UBS/Campden Wealth Global Family Office Report 2016

# PURPOSE

*7. Succession and Survival*

*8. Accountability*

*9. Philanthropy*

# 7.
# SUCCESSION AND SURVIVAL

> *"Two things tend to happen with family members who work within family offices. One is that they are underappreciated or underpaid and they don't enjoy what they're doing. Or family members outside the office look at them cynically as living off the family. And it's sort of binary. It is much better that you have family members sit at the board level and be part of the governance, but not be operating in it day to day."*
>
> Head, North American single family office

- 43% of family offices expect a generational transition in the next 10 years, and 69% in the next 15 years;
- The main governance priority for the next 12-24 months is 'implementing a succession plan';
- Just 43% of executives participating in this year's study say that they have personally experienced a successful transition. These individuals point to a number of factors of success including a willing and able next generation, an older generation prepared to give up control, and a flexible and trustworthy family office;
- There are major obstacles to succession, with just 37% of family offices saying the next generation wished to be more involved than they presently are in the family office.

## *Family office succession is a key and looming priority*

***The Global Family Report*** series has repeatedly shown that the raison d'être of family offices is intergenerational wealth management – in 2016, this is again ranked as the top objective. Fulfilling this responsibility requires family offices to not only be good custodians of assets, but also be relevant for the next generation to preserve their mandate to serve.

To find out how family offices are doing in their preparation for succession, we explored this as a special focus area. What we found was that experience of succession within family offices was far from common – not surprising, given that the average founding date for family offices across all four regions is the 1990s. Some 43% of family offices surveyed had yet to undergo a generational transition.

**Fig 7.1. Objective of the family office, by importance**
in scale 1 - Unimportant, 2 - Of Little Importance, 3 - Moderately Important, 4 - Important, 5 - Very Important

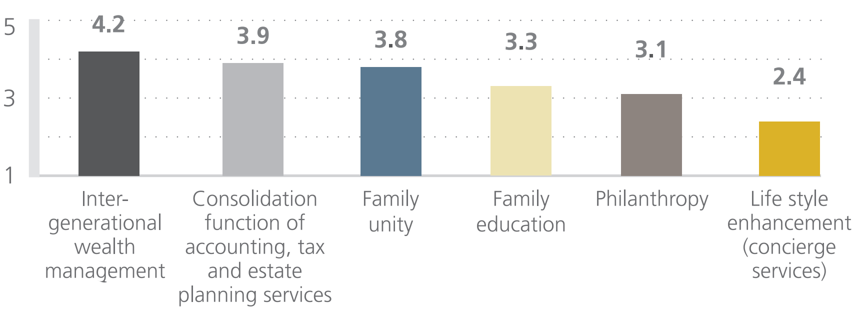
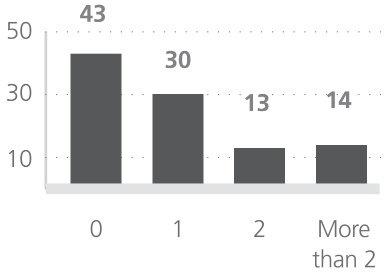
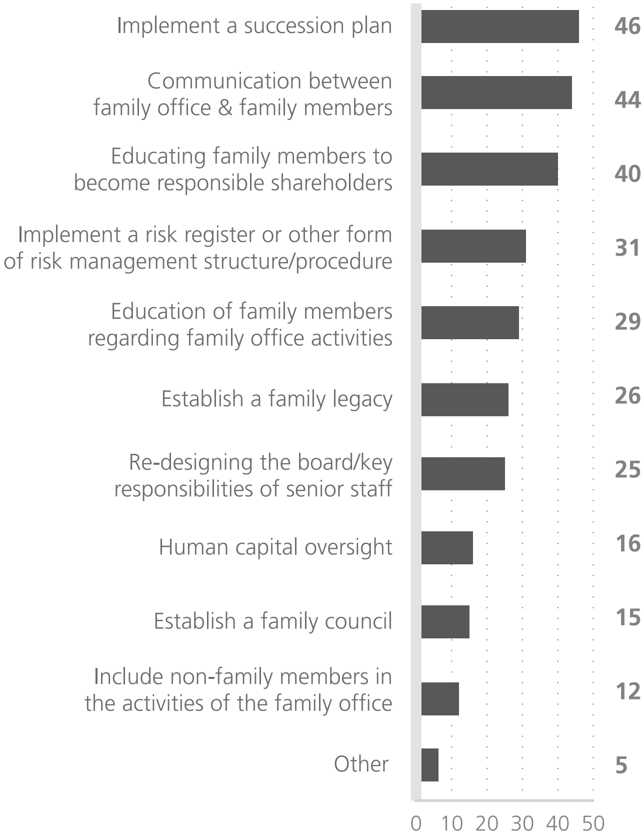



**Fig 7.2. Number of generational transitions experienced by FO**
% of family offices




Source: The UBS/Campden Wealth Global Family Office Report 2016

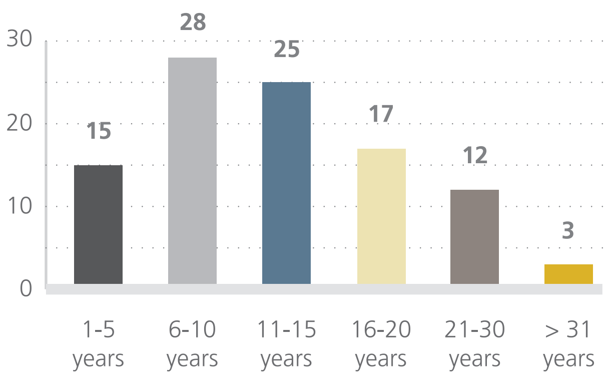
**Fig 7.3. Top governance priorities for the next 12 months**
% of family offices, select top 3




Source: The UBS/Campden Wealth Global Family Office Report 2016

However, it is fast becoming a priority, with 15% of family offices expecting a generational transition in the next 5 years, and 69% in the next 15 years. Indeed, when we asked what the main governance priority was for the next 12-24 months, 'implementing a succession plan' was ranked at the very top of the list.

**Fig 7.4. Expected timing of the next generational transition**
% of family offices




Source: The UBS/Campden Wealth Global Family Office Report 2016

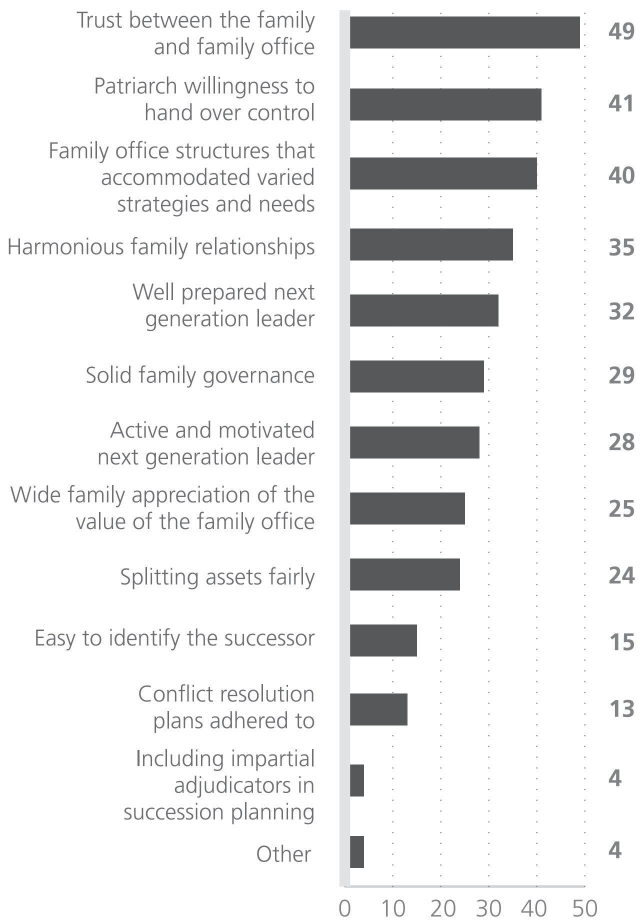
## *Success involves 5 key success factors*

Around two in five (43%) executives participating in this year's study say that they have personally experienced a successful generational transition of a family office. Those that have, point to a number of different success factors. What is comforting about the list of factors is how many the family office has some measure of influence over. Looking at the top three factors, two are definitely areas where family offices can make a difference – 'trust between the family and family office' and 'family office structures that accommodated varied strategies and needs'.

Reflecting on the list further, it is possible to identify five common success factors:

1. A willing and able next generation
2. An older generation prepared to give up control
3. A flexible and trustworthy family office
4. A family with functioning relationships
5. Sensible governance structures

**Fig 7.5. Factors contributing to successful transition**
% of family offices who experienced transition, select top 3

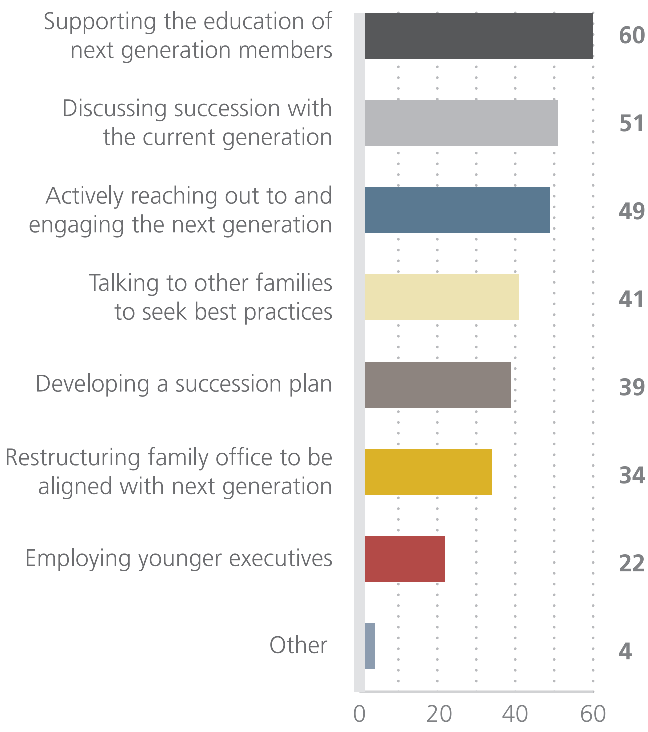



Source: The UBS/Campden Wealth Global Family Office Report 2016

## *Family offices are looking to address many of these areas*

Asked what actions they are currently taking to facilitate smooth succession, family offices point to a range of measures related to the various key success factors. The top three actions selected are 'supporting the education of next generation members', 'discussing succession with the current generation' and 'actively reaching out to and engaging the next generation' and we see that these are very much focussed on the new generation (1st success factor) and the old (2nd). Beyond this, there are actions covering the family office (3rd) and family governance (5th). The one area that isn't directly mentioned is family relationships (4th), although this may benefit from some of the other actions being taken.

**Fig 7.6. Actions taken to help succession**
% of family offices, multiple options permitted



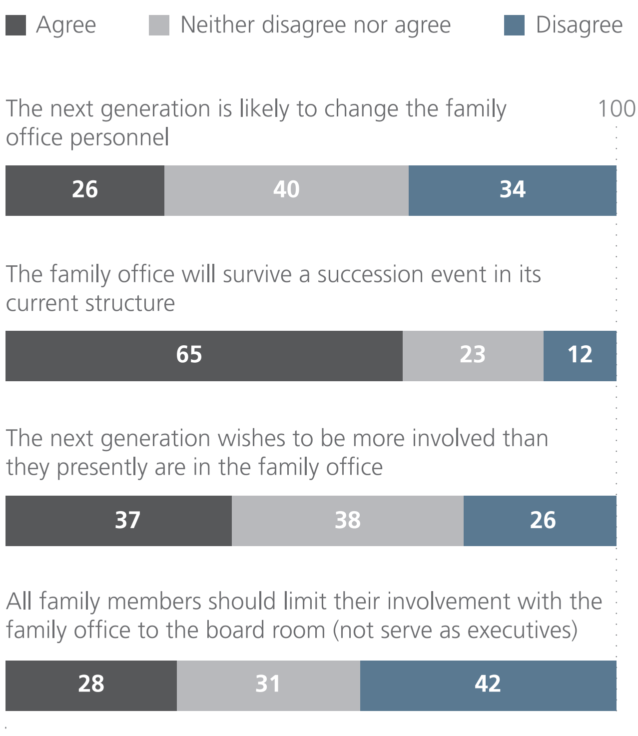

Source: The UBS/Campden Wealth Global Family Office Report 2016

## *There are real obstacles and concerns around succession*

To better understand the potential obstacles around succession we asked family offices to share how things currently stood within their family relative to the first two success factors mentioned above. Starting with the next generation, just 37% of family offices said that the younger generation wished to be more involved than they presently are in the family office. Moving to the older generation, just 40% disagreed that matriarchs and patriarchs were reluctant to pass on power within the family office to the next generation. The balance either took the opposite position or couldn't easily pick a position. One can't help but wonder whether some of the reluctance of the younger generation to get involved is being driven by the intransigence of the older generation.

Given these significant obstacles, it seems family offices are being overly-optimistic when it comes to their evaluation of whether the personnel or the current structure of their family offices will survive succession.

**Fig 7.7. Views on succession**
% of family offices




Source: The UBS/Campden Wealth Global Family Office Report 2016
Note: Due to rounding, totals may not add up to 100%

# KNOWING WHAT CAN CHANGE, AND WHAT CAN'T

## *Interview*

The prayer from Reinhold Niebuhr comes to mind when thinking about family office executives readying themselves for succession and its complex obstacles: "God grant me the serenity to accept the things I cannot change, the courage to change the things I can, and the wisdom to know the difference." Such wisdom was very much in evidence in the CEO of a large single family office that is preparing for a succession.

**RELATIONSHIPS WITH BOTH GENERATIONS**

My relationship with the principal is exceptional. Will I necessarily replicate that with the next generation? That remains to be decided. Though, if anything happened to the principal tomorrow, would that affect my role? Well in a way, part of the reason I was originally brought on board was to be there if and when he was not around. So it would be strange if I felt that this would be a negative for me or my role.

**ASSESSING THE RECEPTIVENESS OF THE NEXT GENERATION**

When I was asked to come to this family office, I sat down with the second (next) generation and said 'What are you asking me to do?', 'Why are you guys not doing it?', 'Is this something you want?' I made sure that the next generation wanted me. If I didn't do that, then I was basically betting my job on the life expectancy of the principal. And that seems slightly naïve to me.

**THINKING ABOUT LIFE AFTER SUCCESSION**

The family I work for is extremely close. Will it continue to be very close once the patriarch or the matriarch are no longer with us? I hope so, but I don't know. There will be changes, because that's the nature of things. I don't think that will affect the family office. I think if anything, it makes the family office even more important.

**GIVING FAMILY MEMBERS THE CHOICE**

For family individuals, how much they use us, how much they share with us and how much they involve us in their decision-making is up to them. Millennials do what they want to do. If you bring up people to be independent, self-minded, entrepreneurial go-getters, you can't then tell them that they have to comply with your rules. Effectively you have to comply with their rules.

**ENGAGING WITH THE NEXT GENERATION**

Over time, we have added little bits of value to them (the next generation), and tried to make their lives a bit easier. They had some assets here and there, for example. So we said: 'Could we help you by producing a consolidated valuation?' Which they really liked and then we explored other ways in which we could help them. That is what a family office must be there to do. I'm not a believer in telling people what to do, and I'm specifically not a believer in telling people what to do when they actually are in charge! I'm a believer in helping people.

**WHO'S THE BOSS?**

If you ask 'who manages me, who is my boss?' I will probably split it 50/50 between the patriarch and the second-generation family members. My relationship with them is different and the way I interact with them is different but we reach a consensus together.

# 8.
# ACCOUNTABILITY

> *"Whenever I've gone to family offices for cyber training, and I'm in a room full of the family office people without any family members, they're quite happy to put their hand up and say 'I fell for those phishing attacks'. As soon as a family member is there, there are no hands up, guaranteed."*
>
> Cyber-security expert

- There is a notable step-up in the controls being put in place to manage non-investment risks within family offices;
- Some 15% of family offices say they have experienced a cyber-security breach, with the majority of these breaches resulting in losses of USD 50,000 or less;
- Phishing (legitimate-looking email scams) is the single biggest cause of breaches, followed by pharming (installation of malicious software) and installation of viruses;
- To manage this threat, family offices are relying on secure data housing, security strategies and new skills.

## *Investment risks no longer dominate*

In the past, when we have examined what control measures family offices have in place around their risks, it was very clear what was seen to be the most serious – investment risk. This risk attracted the highest levels of internal oversight, external oversight and written risk management procedures, policies and guidelines. Our observation last year was that in the age of digital communication, families needed to be placing more emphasis on 'family data and confidentiality' and 'family reputation'. This year, across the family offices, we see a notable step-up in the controls being put in place to manage these areas. Some 69% of family offices now have internal oversight for family data and confidentiality, and 62% have this in place for family reputation. Security is another area where controls are being rolled out. We find that 49% of family offices now have internal controls for 'risk to tangible assets' and 47% for 'personal security'.

**Fig 8.1. Controls for risk factors, by form of management engaged**
% of family offices, multiple responses permitted

| | Internal Oversight | External Oversight | Written Risk Management Procedures, Policies & Guidelines | Risk Register | None |
|---|---|---|---|---|---|
| Investment Risk | 63 | 23 | 34 | 5 | 4 |
| Family data and confidentiality | 69 | 11 | 24 | 3 | 14 |
| Banking / custody risk | 62 | 18 | 24 | 4 | 9 |
| Family Reputation | 62 | 11 | 16 | 2 | 27 |
| Risk to tangible assets | 49 | 17 | 20 | 8 | 25 |
| Risk to information architecture | 55 | 34 | 19 | 4 | 13 |
| Political / regional risk | 46 | 10 | 12 | 7 | 36 |
| Personal Security | 47 | 10 | 19 | 2 | 35 |

Source: The UBS/Campden Wealth Global Family Office Report 2016

**Fig 8.2. The use of governance-enabling structures**
% of family offices

| | Currently in place | Planning on having within 12-24 months | No plans |
|---|---|---|---|
| Establish a board | 56 | 22 | 22 |
| Consult with industry experts | 45 | 35 | 21 |
| Consult with other families and family offices | 44 | 36 | 20 |
| Establish committees | 43 | 25 | 32 |
| Draft a family mission statement | 42 | 29 | 30 |
| Implement a family constitution | 26 | 29 | 45 |

Source: The UBS/Campden Wealth Global Family Office Report 2016
Note: Due to rounding, totals may not add up to 100%

## *Written procedures and external oversight still used sparingly*

Internal oversight is still the most common method of control for risk factors. External oversight and written risk management procedures, policies and guidelines are still used sparingly and more for serious threats. Additionally, for the first time this year, we asked whether the various risks were included in a risk register, and found that the usage of these is relatively minor.

## *IT hack judged most serious in a variety of scenarios*

At the request of the community, Campden took a closer look at what family offices are doing about cyber-security. To initially assess how cyber-security stacked up against other security risks in the minds of family office executives, we described a number of security-related scenarios and asked family offices to judge their seriousness. Topping the list was the threat of an external hack into the main family office IT systems, which was judged to be more serious than the theft of 0.5% of total AUM in family office. This may seem surprising, but the CEO of a private multi family office who scored the threats in this way, explains his rationale: "With an external hack, they can take a hell of a lot more than half a percent. Then there is the loss of credibility. You would appear to be vulnerable, and the privacy and confidentiality disappears."

The growing focus on cyber-security among the wider financial services world is likely to be contributing to the awareness of family offices. One leading banker notes that they no longer consider email-only transfer instructions from family offices to be valid, and that they need to be confirmed over the phone. "Family offices used to find it quite annoying, but now they think it is very useful."

**Fig 8.3. Perceived severity of threats**
Ranked according to seriousness: 1 - Most Important; 6 - Less Important

| | |
|---|---|
| External hack into the main family office IT systems | 1 |
| Theft of 0.5% of total AUM in family office | 2 |
| A physical break-in to the family office headquarters | 3 |
| Theft of 3-months of personal emails from the patriarch | 4 |
| Phone hacking of all family members' mobiles for one month | 5 |
| Unauthorised access to the family teens' social media accounts | 6 |

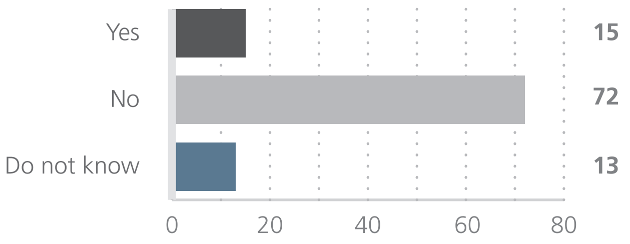
Source: The UBS/Campden Wealth Global Family Office Report 2016

## *15% of offices have experienced cyber-security breaches*

We went on to ask executives whether their family offices had ever experienced a cyber-security breach. Some 15% of family offices said they had. This is a considerable proportion of the community, and underlines the importance of this area for family offices. A couple of external advisers argued this number may not fully represent the problem. One cyber-security expert who serves family offices suggests the actual percentage may be closer to 40% of all family offices.

Fortunately, the actual amount lost from these breaches has been relatively insignificant. The majority of the breaches resulted in losses of USD 50,000 or less, although one case resulted in the loss of USD 10m or more.

**Fig 8.4. Victims of a cyber-security breach**
% of family offices

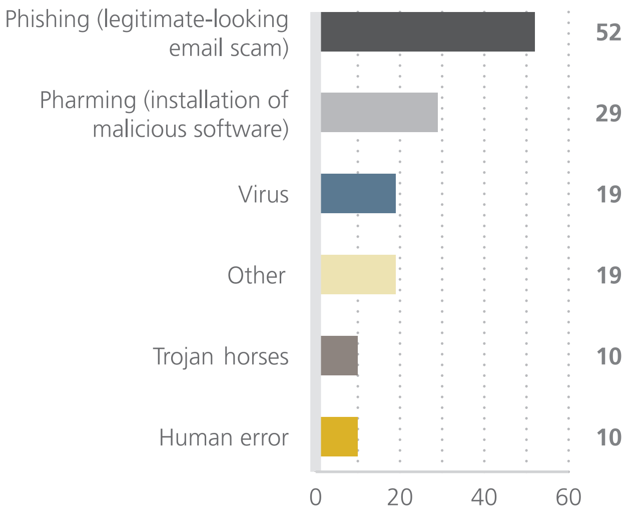



Source: The UBS/Campden Wealth Global Family Office Report 2016

## *Phishing and pharming are the common types of attack*

The main cause of breaches by some margin is phishing (legitimate-looking email scams) – mentioned in 52% of cases. In such cases, emails may appear to come from family members or other employees of the family office with an instruction, or from a reputable supplier with a convincing back-story and request for personal information. This is followed by pharming (installation of malicious software) and installation of viruses.

**Fig 8.5. Nature of the cyber-security breaches**
% of family offices who experienced cyber-security attack, multiple options permitted




Source: The UBS/Campden Wealth Global Family Office Report 2016

## *Family offices are pursuing a range of actions to better secure themselves*

Executives point to a wide range of actions to manage this risk. Topping the list is secure data housing. Beyond this, many are implementing security strategies that involve written procedures and threat assessments. Getting the right skills is another area of focus, whether this is bolstering skills internally through employee training and hiring specialist skills, or externally by paying for professional advice or outsourcing the responsibility.

**Fig 8.6. Actions taken to prevent cyber-security breach**
% of family offices, multiple options permitted


Source: The UBS/Campden Wealth Global Family Office Report 2016

# 9.
# PHILANTHROPY

> *"I think the senior family members are giving into Millennials on impact investing and letting them have it. They are thinking, 'It's not that much, we'll see where it goes.'"*
>
> Board-level adviser to family offices

• A significant 32% of family offices are either somewhat or highly active in impact investing, and a further 30% are likely to become active in future;

• Millennials are a key catalyst in the move towards impact investing, but nearly half of family offices consider impact investing to be a more efficient use of funds to achieve social impact than philanthropy;

• The average level of philanthropic giving by family offices in 2016 was 2.5% of their AUM, although interviewees caution that this may not be representative of the community;

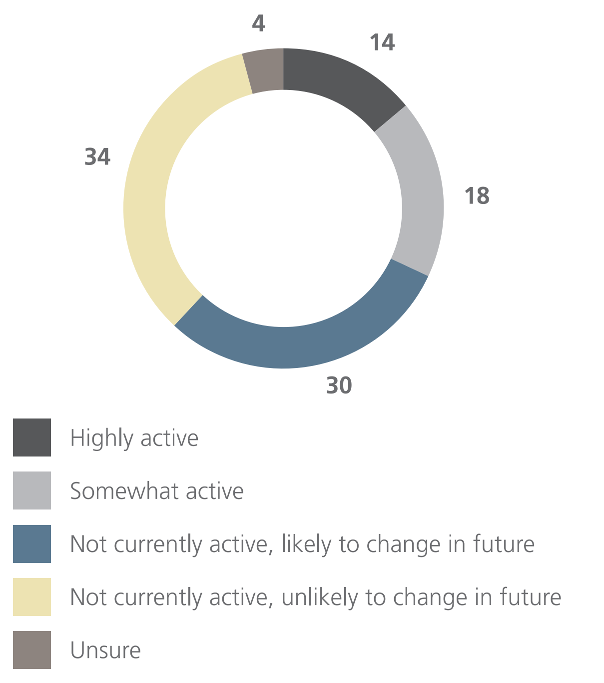
• The amount donated is most frequently decided by individual family members or with the whole family reaching agreement.

## *Impact investing comes of age*

For a number of years now there has been a strong whiff of over-exuberance about impact investing, with the actual uptake always seeming to lag the heady predictions. Data from this year's research provides the most striking confirmation yet that this area is finally coming of age within the family office space. Asked about the nature of the family office involvement with impact investing, 32% said they were either somewhat or highly active, and a further 30% said they were 'not currently active, (but this was) likely to change in future'. Collectively this means that 61% of family offices are now active or likely to be in the foreseeable future.

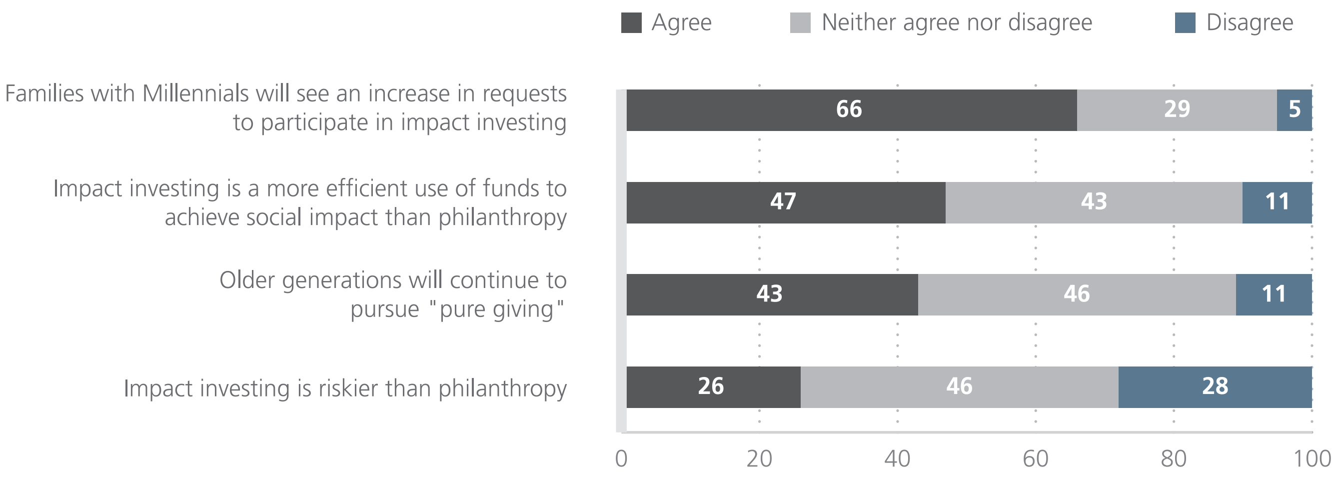
Some of the wider social considerations of impact investing also seem to be seeping into traditional investing. The case study accompanying this chapter provides a comprehensive example of this from one family, but they are not alone. The leader of a European single family office noted that their next generation's social values forced them to consider environmental risk factors that helped to improve their decision-making. While the leaders of another European as well as an Asia-Pacific single family office spoke of their gradual incorporation of social or environmental concerns into their investment considerations, driven in part by the next generation.

**Fig 9.1. Impact investing - involvement**
% of family offices




Source: The UBS/Campden Wealth Global Family Office Report 2016

**Fig 9.2. Views on impact investing**
% of family offices




Source: The UBS/Campden Wealth Global Family Office Report 2016 / Note: Due to rounding, totals may not add up to 100%

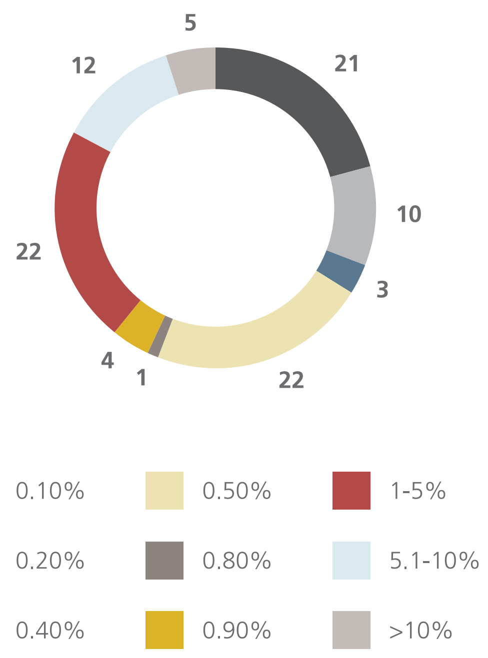
## *The move is being driven by Millennials*

One key catalyst for this change is Millennials, with two-thirds of family offices agreeing that families with children born after 1980 will see an increase in requests to participate in impact investing. But this isn't just a change led by the next generation, there is something more deliberate at work. Nearly half of family offices (47%) believe that impact investing is a more efficient use of funds to achieve social impact than philanthropy. Certainly, if ventures can be commercially successful this creates the possibility of self-funding to help make the initiative more sustainable and impactful. As for risk, opinions are equally divided as to whether impact investing carries more risk than philanthropy.

## *Philanthropy is still widely employed*

Philanthropy is still well established in the family office space, with fairly similar levels of philanthropic engagement to last year. The average level of philanthropic giving by family offices responding to this question was 2.5% of their AUM over the past 12 months, although interviewees caution that this may not be representative of the entire family office community. Asked for the first time how their allocations would change in the next year, one-third said they were likely to increase, with 20% expecting an increase of more than 2%. While another two-thirds said they would remain the same.

**Fig 9.3. Philanthropic endowment for those who are engaged**
in % proportion of AUM



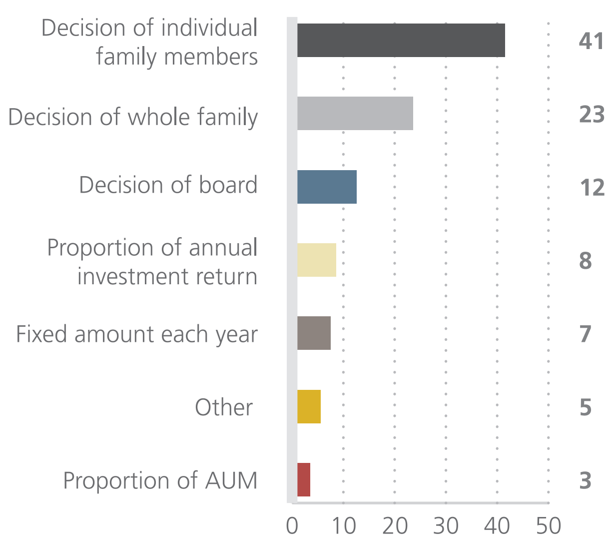

Source: The UBS/Campden Wealth Global Family Office Report 2016

Note: Millennials are individuals born between 1980 and 1994

## *The family takes the lead in deciding the amount*

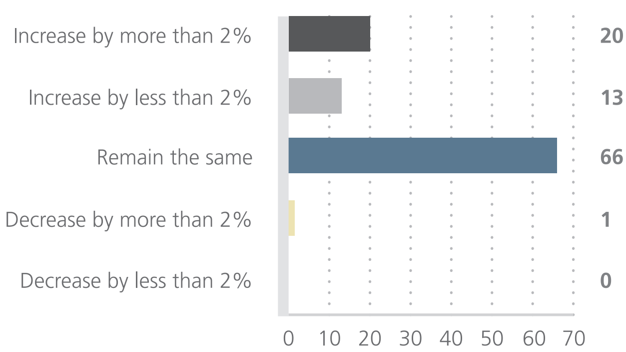
Family members are disproportionately involved in the decision-making around how much to give in the way of philanthropy. This typically takes the form of individual family members deciding the quantum (41% of family offices) or the whole family reaching agreement (23%). Families are right to take real ownership, recognising the benefits for family harmony and the possibilities for next generation involvement.

**Fig 9.4. Nature of decision-making around scale of philanthropic giving**
% of family offices




Source: The UBS/Campden Wealth Global Family Office Report 2016
Note: Due to rounding, totals may not add up to 100%

**Fig 9.5. Philanthropy - future intentions**
% of family offices

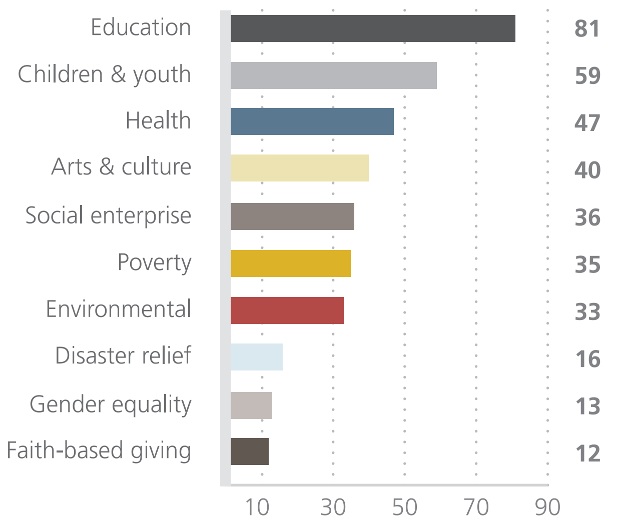



Source: The UBS/Campden Wealth Global Family Office Report 2016

## *Education is the most supported cause*

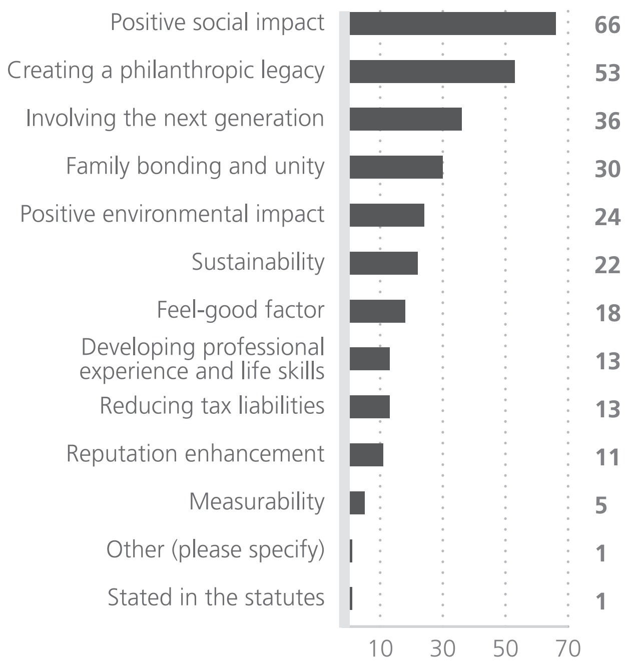
The beneficiaries of philanthropy are similar to last year, although there has been one key switch at the very top of the table, with education rising into the number one slot quite convincingly over 'children and youth'.

**Fig 9.6. Support of philanthropic causes**
% of family offices, multiple responses permitted




Source: The UBS/Campden Wealth Global Family Office Report 2016

**Fig 9.7. Motivations to undertake philanthropy**
% of family offices, multiple responses permitted




Source: The UBS/Campden Wealth Global Family Office Report 2016

# INCORPORATING ETHICAL PRINCIPLES INTO ALL INVESTMENTS

## *Interview*

The TY Danjuma Family Office, which manages the wealth of a prominent Nigerian businessman, provides a salient example of how ethical investing principles can be rolled out throughout an investment portfolio. We talked to CFO, Simon Foster, and investment analyst, Stephanie Creswell, to find out more about their approach and why they decided to become the first family office to sign up to the United Nations supported Principles of Responsible Investment (PRI).

**A GRADUAL EVOLUTION TOWARDS VALUE-BASED INVESTING**

As a recently created single family office, we took over and gradually merged in 2009 a series of banking portfolios, which had already embedded some of our principal's strong beliefs with regards to the avoidance of alcohol and gambling. These views have since become part of a broader discussion about impact investing.

In 2012, we signed up to the PRI and subsequently incorporated broader environmental, social and governance screening criteria within the investment process for all corporate and sovereign investments. Our procedures for responsible investment are intended to ensure that the securities we invest are not placed in corporates or sovereigns that violate internationally recognised standards. These standards include but are not limited to, the Transparency International Corruption Index; Freedom House country classification; OECD Financial Action Task Force on Money Laundering.

**CONSIDERATIONS AROUND FINANCIAL PERFORMANCE**

We believe that our focus on ESG (environmental, social and governance) and good corporate governance in investments will help us to outperform over the long term. However, as you can imagine many companies are currently behind the curve when it comes to impact and being environmentally friendly but this will improve as the sector develops.

**REASONS FOR SIGNING UP TO THE PRI**

It is aligned with the objectives of the family and our belief that good corporate governance is a strong factor in the long term creation of a company's shareholder value.

**INCORPORATING THESE VALUES INTO INVESTING**

Whilst making profit in deals, we try to do good social engineering. For example, in our property investments, we're trying to build some starter homes and one-bedroom apartments, just to help local members of the community get on the property ladder. On the private equity side, one of the major things we look at when considering the deals in Africa is how much employment it creates.

**ESG SCREENERS FOR SECURITIES**

We include an ESG screener for all securities that we invest in. The securities themselves do not necessarily have an ESG focus, but they are ESG compliant. We'll first screen for the ESG compliant securities, and then identify ones which we believe will outperform financially.

**REQUIREMENTS OF PRI**

The United Nations-supported Principles for Responsible Investment is a global, collaborative network of investors established in 2006 in recognition of the increasing relevance of environmental, social, and governance (ESG) issues within the investment process. The six principles outlined by the PRI act as a framework for investors to develop their responsible investing processes.

**IMPACT ON STAFF AND RESOURCES**

Ultimately, the board of directors has the responsibility for setting and adhering to the Responsible Investment Policy and implementation is overseen by the Investment Management Committee. The portfolio managers are responsible for the allocation of the portfolio, selection and monitoring of investments in compliance with policy requirements. Furthermore the portfolio managers engage with third party sustainability rating agencies to enhance the quality of our internal research.

# CONCLUSION

## *Looking forward*

- *For families*
- *For executives*
- *For providers*

# LOOKING FORWARD

This report provides a wealth of insights for the three main stakeholders within the family office community – families, executives and providers. Inevitably, there are some findings that are more important than others and in this final section Campden Wealth identifies what we believe to be the most important takeaways for these groups, along with some useful recommendations.

## *For families*

- DEAL WITH THE SUCCESSION OBSTACLES
- APPROACH CO-INVESTING IN THE RIGHT WAY
- INCENTIVISE EXECUTIVES AROUND COSTS
- TEST HOW MUCH LIQUIDITY IS NEEDED

## *For executives*

- PREPARE FOR SUCCESSION
- EMBRACE IMPACT AND ETHICAL INVESTING
- INVOLVE THE NEXT GENERATION
- BEWARE THE DANGERS OF REINFORCING EXPOSURES

## *For providers*

- SUPPORT THE MOVE INTO IMPACT INVESTING
- ENCOURAGE THE DEVELOPMENT OF SOFTWARE SOLUTIONS
- REVISIT VALUE PROPOSITIONS AND FEE STRUCTURES
- HELP FAMILY OFFICES WITH FORECASTING

# *For families*

## DEAL WITH THE SUCCESSION OBSTACLES

***Family office executives point to significant obstacles within families to a smooth succession.***

This report has placed a much-needed spotlight on how prepared family offices are for the transfer of control from one generation to the next, and identified some fundamental family-related issues in the form of the old generation being reluctant to transfer power, and the new generation being unwilling to get involved. While family office executives can seek to influence these attitudes, it is up to the family members themselves to bring about the change. Many families have already had to think about the succession of control within their family businesses, and this experience should guide discussions and actions when it comes to the family office.

## APPROACH CO-INVESTING IN THE RIGHT WAY

***For all the enthusiasm for co-investing, actual holdings are marginally down on last year.***

The degree of unrealised enthusiasm for co-investing speaks to the many challenges inherent in this area. Successful co-investing is, in large-part, about getting to know the values of other families and what their members bring to the table to ensure the long-term success of the endeavour. Families should look to build out their family networks by attending events and roundtables and then spend time getting to know other families. Having an investment strategy which clearly defines family values and objectives can be very useful in this process, both in building understanding within your family and sharing with other families.

## INCENTIVISE EXECUTIVES AROUND COSTS

***Costs have come down in the last year, but the pressures on costs aren't going away.***

The progress that family offices have made in managing down their costs is one of the bright spots in this year's findings. It is also encouraging to see the greater cost consciousness among family offices. Families need to ensure that momentum in this area is sustained and that cost management, or at least value optimisation, becomes one of the key goals of their offices. One way that they can really institutionalise this is by turning costs into a key performance indicator, and financially incentivising their senior executives around it. While executives cannot control how their assets perform on a month by month basis, they can control their costs, and they should.

## TEST HOW MUCH LIQUIDITY IS NEEDED

***Endowments have substantially outperformed portfolios of family offices over the last three years.***

The performance of endowments over the last few years should cause families to look a little further into what they are doing differently to see whether there is anything that they can learn. One key difference is their lower allocations to fixed income and cash, and families may well want to consider whether they need as much of this just-in-case liquidity in their portfolios - recognising that cash will also be held within many underlying companies and funds. Rethinking the scale of these 'safe' holdings, or more actively managing them through sensible financial planning, could allow family offices to make their portfolios much more productive over the long term.

# *For executives*

## PREPARE FOR SUCCESSION

***Some 41% of family offices are expected to transition in the next 10 years.***

With succession now fast approaching for many family offices, executives need to be taking steps to ensure that they are relevant and ready for the next generation. Encouragingly, we see that the main governance priority for family offices in the next 12-24 months is the implementation of a succession plan, and this will be a vital element in success. Family office executives must ensure that their plans detail how they reach out and engage with both generations. Many suggestions are already contained in the report on how to do this, and immediately below we highlight some more ideas specifically for the next generation. Executives should, wherever possible, also seek to address any obstructive attitudes that exist within the current and next generation.

## EMBRACE IMPACT AND ETHICAL INVESTING

***Some 61% of family offices are now active or likely to be active in impact investing.***

This seminal finding means that impact investing can no longer be seen as something marginal within the family office community. One of the big drivers here is Millennials, who are not only prompting the uptake of impact investing but anecdotally also beginning to influence general investment screening within family offices. Executives need to embrace this new mind-set and find ways to build this into the decision-making process. Amongst other things, this may require new information sources, new external partnerships, new internal skills and modifications to the way that investments are made and monitored.

## INVOLVE THE NEXT GENERATION

***Just 37% of the next generation wish to be more involved than they presently are in the family office.***

It is ultimately the next generation that will decide whether the family office enjoys a continued mandate to serve the family, and engaging them has to be an absolute priority for family office executives. We have identified one area of interest and one area of need which present real opportunities for Millennial engagement. The area of interest is impact investing, and this represents a golden opportunity for executives to establish and build a relationship with Millennials. Another area where family offices could really benefit from the next generations' skills and interests is in software and cyber-security.

## BEWARE THE DANGERS OF REINFORCING EXPOSURES

***There has been an increase in the number of multi-year participants pursuing growth-orientated investment strategies.***

Our analysis of multi-year participants reveals that more family offices are pursuing growth in their investment strategies. And while some family offices claim to be doing this with due consideration of risks, the result is that wealth is going into areas of greatest expected returns and exposures are being reinforced rather than diversified. If family offices' return expectations are right, then this stance will be vindicated, but if they are wrong with the higher risk they are carrying, then it will be bruising.

## *For providers*

### SUPPORT THE MOVE INTO IMPACT INVESTING

***Some 29% of family offices that are not involved in impact investing are likely to become so in future.***

This represents a significant opportunity for providers who are operating in or around this complex and evolving space. Family offices that are novices to impact investing will need to rapidly understand this area, and access the skills, information and contacts they need. This certainly doesn't represent a one-off business opportunity, with family offices likely to be looking for ongoing information, advice and even oversight of their activities. Given the demanding nature of the family office community and the many specialisms, smaller providers in the area of socially responsible and impact investing would do well to actively partner with others.

### ENCOURAGE THE DEVELOPMENT OF SOFTWARE SOLUTIONS

***There are many family offices that are underwhelmed when it comes to the software they use.***

The provision of software to family offices is another big opportunity for providers. Family offices have simple and practical requirements when it comes to software – they look for efficiency, confidentiality and appropriateness. Providers that can deliver on these will have themselves a prize customer base. Family offices' lack of concern about the independence of providers also opens the door for ambitious players in other service sectors – like wealth management – to expand into software and strengthen their market position.

### REVISIT VALUE PROPOSITIONS AND FEE STRUCTURES

***Over one-third of family offices are more cost conscious than they were a year ago.***

Providers to family offices will already know well that they are more cost conscious than they were 12 months ago. The question will be how providers react to this. Last year we advised that providers concentrate on delivering value, investigate offering new services and consider re-engineering costs. Our exploration of the remuneration packages of family office executives this year provides useful insights for re-thinking fee structures. The prevalence of performance-related bonus structures and long-term incentives may perhaps point to a longer-term approach that emphasises shared-rewards.

### HELP FAMILY OFFICES WITH FORECASTING

***Family offices have proved to be consistently poor at forecasting returns of different asset classes.***

In the three years of ***The Global Family Office Report,*** family offices have proven to be consistently over-optimistic on forecasted returns for asset categories – at least over a one-year period. The bigger question is whether this matters for long-term investors like family offices? We'd venture that it doesn't matter if family offices are better at their medium to long-term forecasts and base their investment decisions on these. But from our analysis of the data, many of the investment decisions are being made based on short-term return expectations, which have been wrong. So, family offices do need to do better, and may well benefit from outside help in this area.

# APPENDIX

*Provider use and satisfaction*

# PROVIDER USE AND SATISFACTION

**Fig 10.1. Importance of main external providers to family offices**
in scale provided: 0 - Unimportant/Not Applicable; 1 - Of Little Importance; 2 - Moderately Important; 3 - Important; 4 - Very Important; 5 - Most Important

| Average | 2014 | 2015 | 2016 |
|---|---|---|---|
| Private bank | 1.1 | 1.3 | 0.9 |
| Asset manager | 2.8 | 2.9 | 2.7 |
| Investment bank | 1.6 | 1.8 | 1.6 |
| Investment management consultant | 1.9 | 2.1 | 1.9 |
| Broker (insurance, deal, etc.) | 1.9 | 1.9 | 1.7 |
| Custodian | 2.3 | 2.6 | 2.4 |
| Accountant | 2.7 | 2.9 | 2.9 |
| Lawyer | 3.2 | 3.3 | 3.2 |
| Trustee | 2.2 | 2.3 | 2.3 |

Source: The UBS/Campden Wealth Global Family Office Report 2016

**Fig 10.2. Level of satisfaction with key service providers**
in % of family offices

| | Dissatisfied | Neither satisfied nor dissatisfied | Satisfied |
|---|---|---|---|
| Private bank | 20 | 24 | 56 |
| Asset manager | 6 | 38 | 56 |
| Fund manager | 6 | 30 | 64 |
| Investment bank | 14 | 62 | 24 |
| Investment management consultant | 13 | 38 | 50 |
| Broker | 12 | 56 | 32 |
| Custodian | 9 | 44 | 47 |
| Accountant | 7 | 19 | 74 |
| Lawyer | 5 | 14 | 81 |
| Trustee | 4 | 32 | 63 |
| Head hunter | 4 | 68 | 28 |

Source: The UBS/Campden Wealth Global Family Office Report 2016
Note: Due to rounding, totals may not add up to 100%

**Fig 10.3. Value of functions provided by private and investment banks**
in scale provided, multi-year participants

| | Private bank | | Investment bank | |
|---|---|---|---|---|
| | 2015 | 2016 | 2015 | 2016 |
| Overall banking relationship/ quality of advise/advisory support | 2.10 | 2.07 | 1.62 | 1.71 |
| Range of products and services | 1.90 | 1.80 | 1.65 | 1.87 |
| Access to product specialists and market/investment research | 1.89 | 1.88 | 1.70 | 1.85 |
| Administrative convenience | 2.03 | 2.26 | 1.26 | 1.25 |
| Global connectivity | 1.92 | 1.79 | 1.58 | 1.87 |
| Core execution capabilities and skills | 2.03 | 2.25 | 1.81 | 1.83 |
| Pricing | 1.83 | 2.04 | 1.33 | 1.73 |

Source: The UBS/Campden Wealth Global Family Office Report 2015; The UBS/Campden Wealth Global Family Office Report 2016

# LIST OF FIGURES

## About UBS

UBS provides financial advice and solutions to wealthy, institutional and corporate clients worldwide, as well as private clients in Switzerland. The operational structure of the Group is comprised of our Corporate Center and five business divisions: Wealth Management, Wealth Management Americas, Personal & Corporate Banking, Asset Management and the Investment Bank. UBS's strategy builds on the strengths of all of its businesses and focuses its efforts on areas in which it excels, while seeking to capitalize on the compelling growth prospects in the businesses and regions in which it operates, in order to generate attractive and sustainable returns for its shareholders. All of its businesses are capital-efficient and benefit from a strong competitive position in their targeted markets. Headquartered in Zurich, Switzerland, UBS has offices in 54 countries, including all major financial centers, and employs approximately 60,000 people. UBS Group AG is the holding company of the UBS Group. Under Swiss company law, UBS Group AG is organized as an Aktiengesellschaft, a corporation that has issued shares of common stock to investors.

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## About Campden Wealth

Campden Wealth is the leading independent provider of information, education and networking for generational family business owners and family offices globally in person, in print, via research and online.

Campden Research supplies market insight on key sector issues for its client community and their advisers and suppliers. Through in-depth studies and comprehensive methodologies, Campden Research provides unique and proprietary data and analysis based on primary sources.

Campden Wealth also publishes the leading international business titles CampdenFB, aimed at members of family-owned companies in at least their second generation and CampdenFO, the international magazine for family offices and private wealth advisers. Campden Wealth further enhanced its international reach and community with the acquisition of the Institute for Private Investors (IPI), the leading membership network of private investors in the United States, founded in 1991 and with the establishment of Campden Family Connect PVT. Ltd a joint venture with the Patni Family in Mumbai, India in 2015.

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