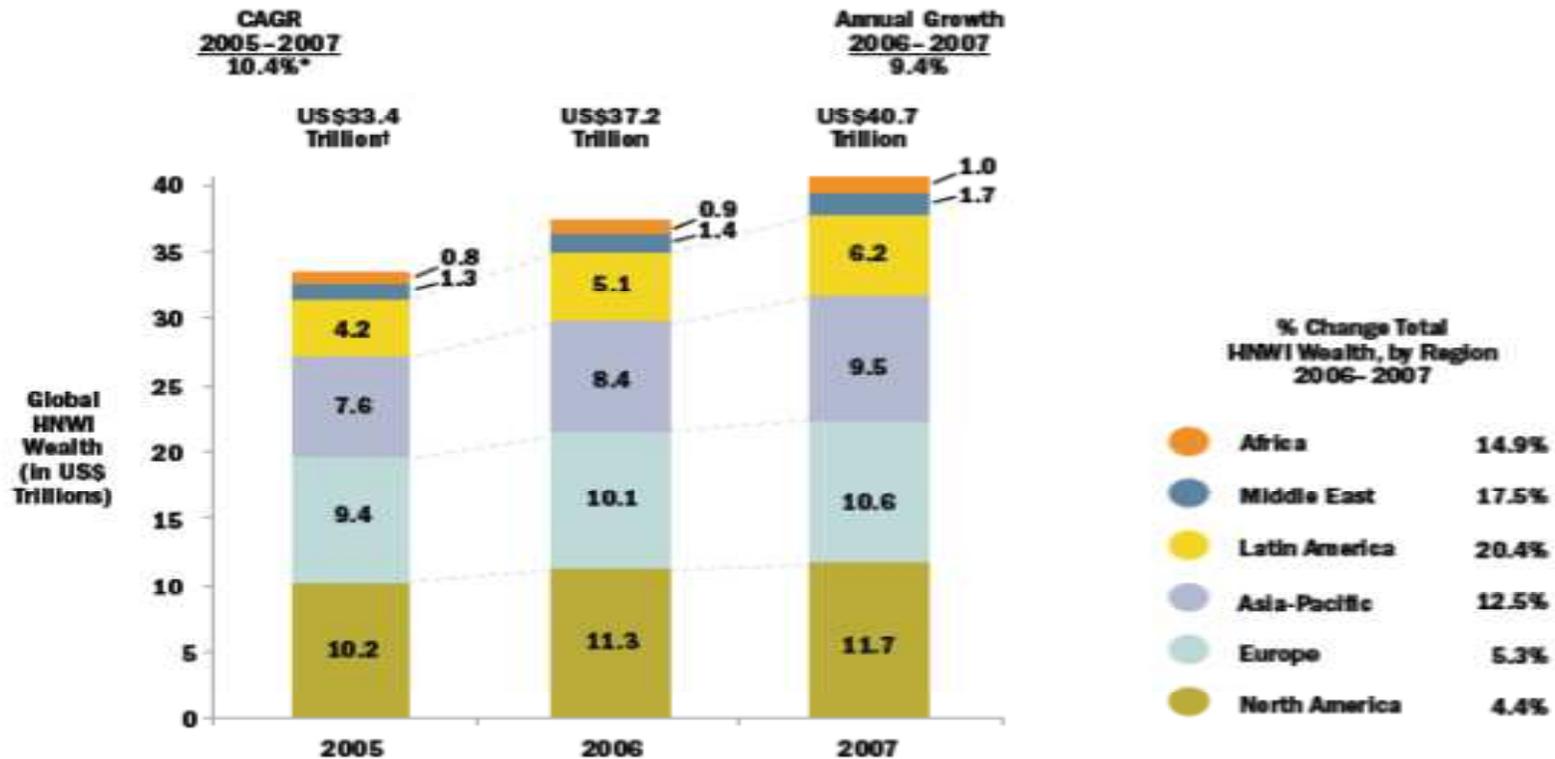

Lesson 18

The Family Office services : international evolution

Prof. Vittorio de Pedys

Hnwi keep growing...

Figure 2. | **HNWI Wealth Distribution, 2005 – 2007 (by Region)**
(US\$ Trillions)

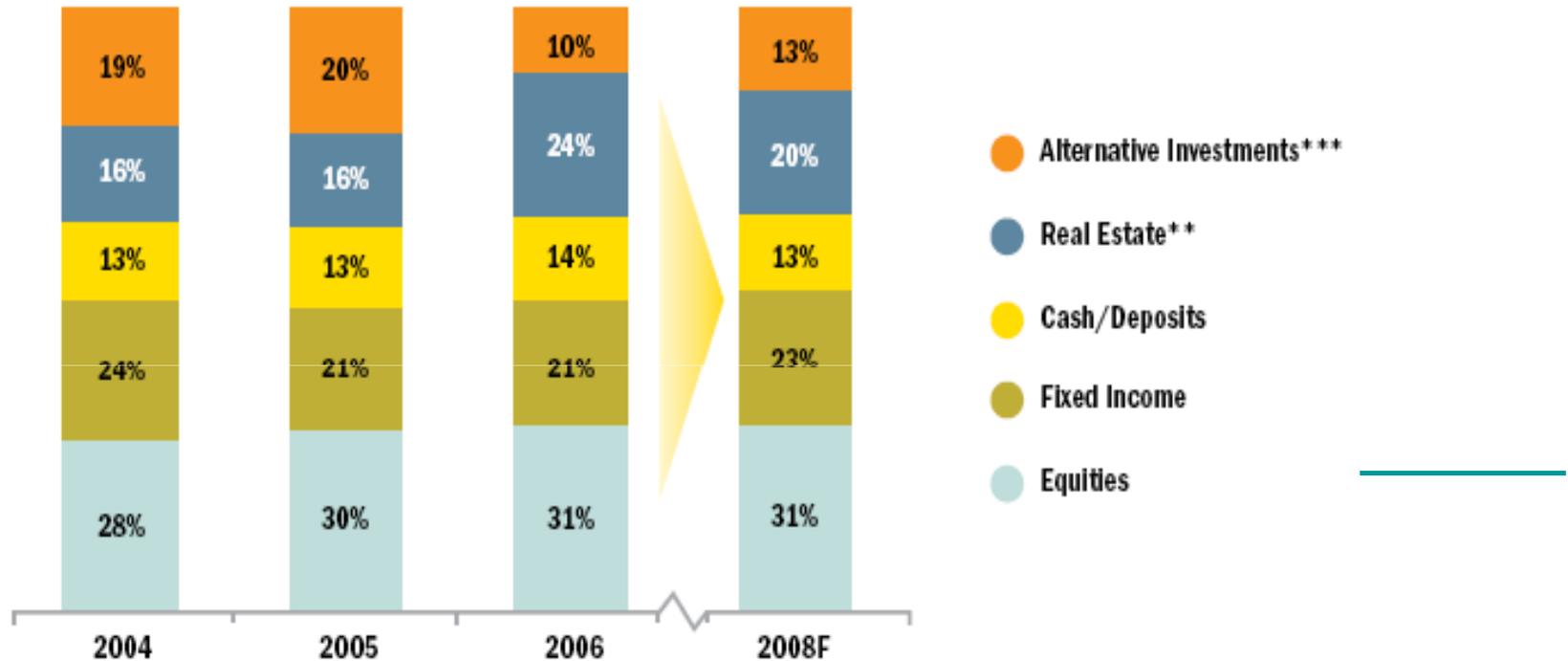


Asset allocation of wealthy families

	Americas	Europe	Americas	Europe
	Billionaires	Billionaires	Millionaires	Millionaires
	Average	Average	Average	Average
Equities	47%	25%	45%	30%
Fixed income	16%	15%	15%	17%
Hedge funds	20%	12%	12%	13%
Private equity	9%	12%	9%	12%
Real estate	4%	11%	10%	18%
Other tangible assets (e.g., oil, gas, timber, and commodities)	3%	4%	4%	3%
Principal investment in companies	0%	20%	5%	6%
Other stores of value (e.g., art collection, wine cellar, etc.)	1%	2%	1%	2%

Source: SFO research project database 2007

Evolution of asset allocation



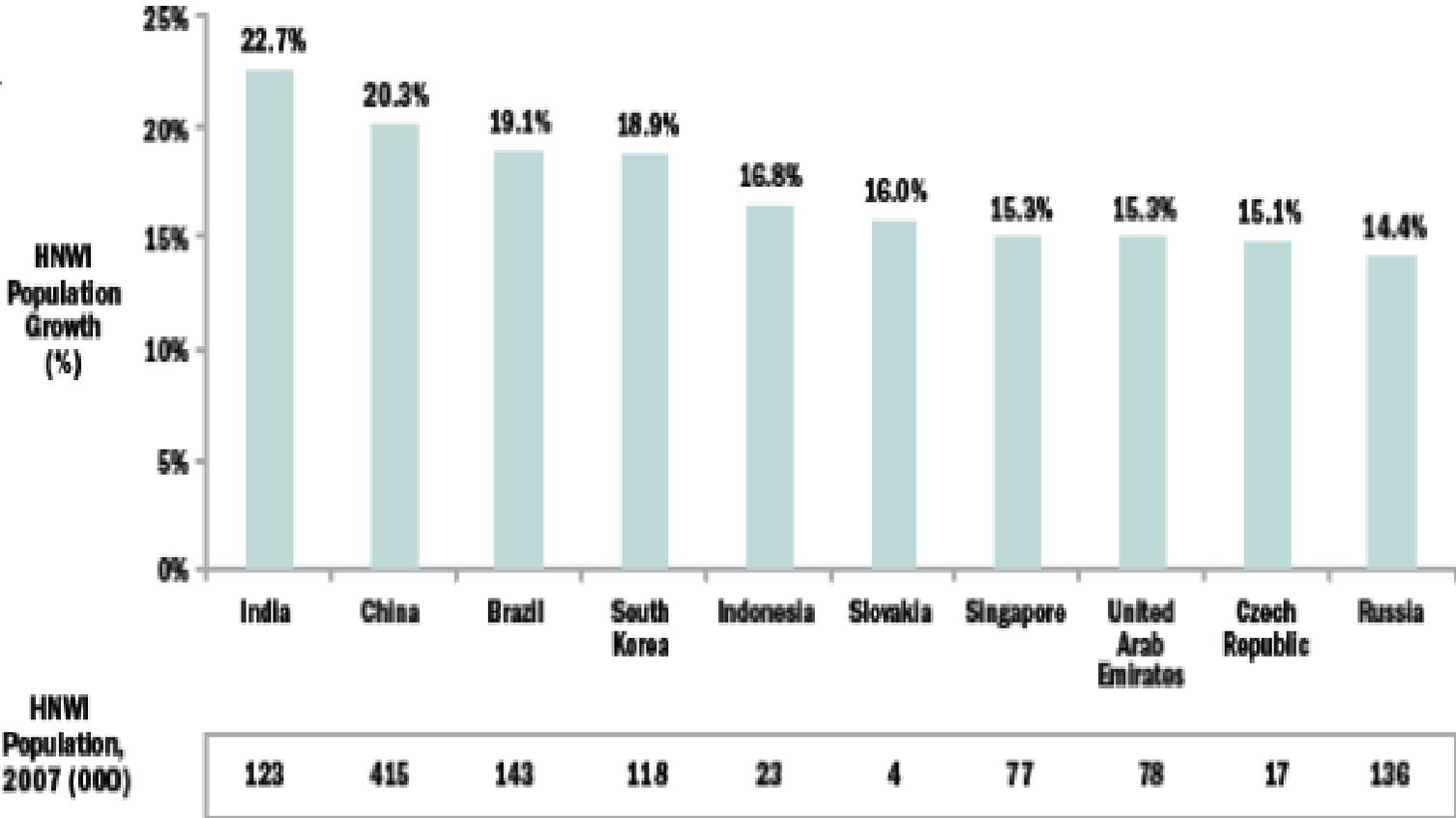
*** Includes: Structured products, hedge funds, derivatives, foreign currencies, commodities, private equity/venture capital, investments of passion, other (may include: structured credit, managed futures, etc.)

** Includes: Commercial real estate, REITs and other investment properties

Source: Capgemini/Merrill Lynch Financial Advisor Surveys, March 2006, March 2007

Growth is east...

Figure 5. | HNWI Population Growth, 2006 – 2007 (by Market)



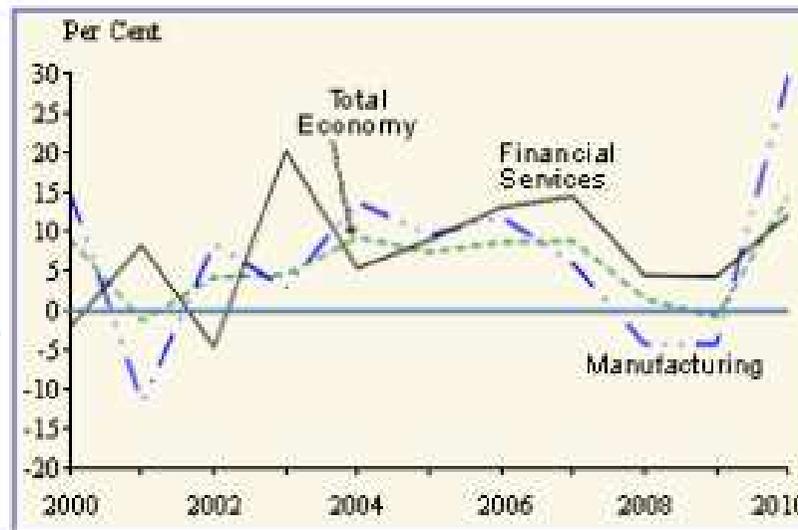
Where wealth is concentrated

Pockets of wealth			
	MILLIONAIRE* HOUSEHOLDS (% OF TOTAL HOUSEHOLDS)	SHARE OF WEALTH HELD BY MILLIONAIRE* HOUSEHOLDS (%)	
1	Singapore	11.4	52
2	Hong Kong	8.8	74
3	Switzerland	8.4	44
4	Kuwait	8.2	67
5	Qatar	7.4	63
6	UAE	6.2	63
7	United States	4.1	55
8	Belguim	3.5	36
9	Israel	3.3	36
10	Taiwan	3.0	38
	Global average	0.8	38

* Millionaire households are those with more than US\$1m in assets under management

Source: BCG Wealth Market Sizing Database, 2009

An example of a financial services - led economy: Singapore



Evolution: Multi f.o. and f.o. exchange

The screenshot shows a Microsoft Internet Explorer browser window displaying the Family Office Exchange website. The address bar shows the URL: http://www.familyofficeexchange.com/public/fo/welcome/member_value_MFO.asp. The page features a navigation menu on the left with sections for 'LEARN ABOUT' and 'ACCESS'. The main content area is titled 'About Family Office Exchange' and 'Member Value - Multi-Family Offices'. It includes a paragraph describing the benefits of membership for multi-family office executives or advisors, such as deeper understanding of ultra-wealthy purchase behavior and access to strategic research. Below the text is a diagram with a central blue circle labeled 'FOX Member Value' surrounded by four tan circles: 'Research', 'Networking', 'Education', and 'Advisory Services'. The browser's status bar at the bottom shows 'Done' and 'Internet'.

Family Office Exchange - Microsoft Internet Explorer

Address: http://www.familyofficeexchange.com/public/fo/welcome/member_value_MFO.asp

Home | Search | Site Map | Contact Us | FAQ | Log In

Family Office Exchange

LEARN ABOUT

- Family Office Exchange
- Family Offices
- Wealth Owners
- Multi-Family Offices
- Advisors
- FO's Research
- Benchmarking
- Educational Events
- International
- Membership

ACCESS

- Alternative Investment Center
- Resource Library
- Directory of Advisors

About Family Office Exchange

[Home](#) | [FO's Member Value - MFO's](#)

Member Value - Multi-Family Offices

By leveraging FOX's member benefits, multi-family office executives or advisors gain a deeper understanding of ultra-wealthy purchase behavior, pricing, product holdings and preferences. In addition, member firms optimize their sales and operations from access to strategic research and best practices, direct exposure to other ultra-wealthy executives, experience and engagement with families and other offices.

Explore the benefits of membership...

```
graph TD; A((FOX Member Value)) --- B((Research)); A --- C((Networking)); A --- D((Education)); A --- E((Advisory Services));
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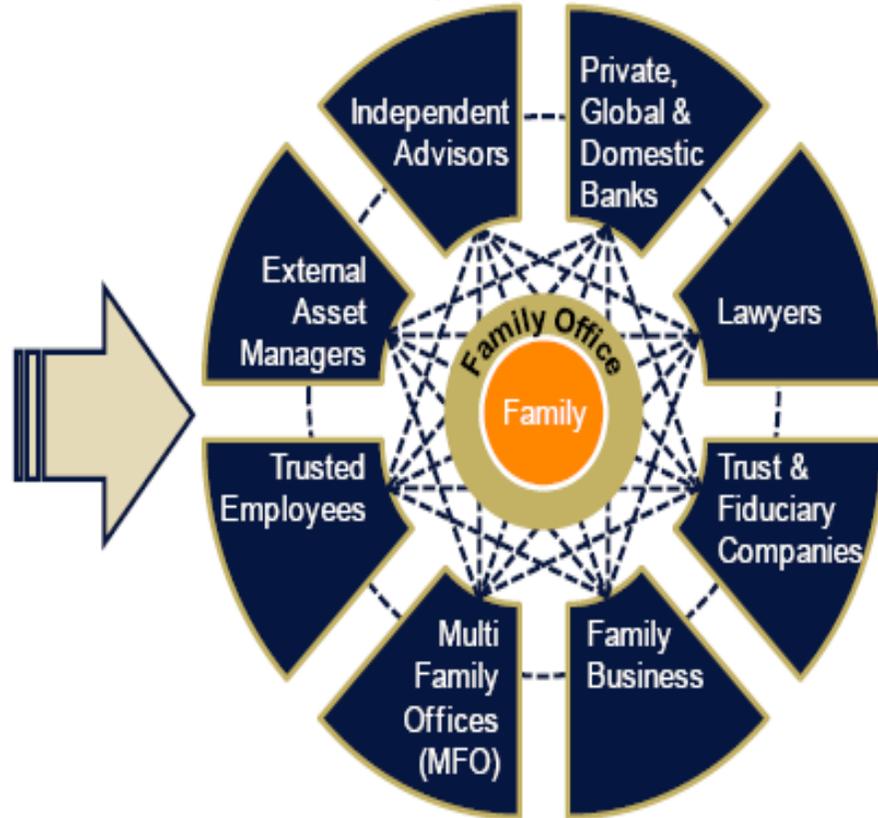
New world of FO : in Asia the f.o. business is at the outset and is not structured in classic models

European/US Classic Single Family Office Model



- Structured models
 - SFO
 - MFO independent
 - MFO of banks

Asian Hybrid Network Model



- Hybrid networks based on more actors around the family nucleous

Asian hybrid system

- One study by VP Bank found that wealthy Asian families turn to “a plurality of players that are independently (e.g. global banks) or collaboratively (e.g. asset managers, lawyers and independent advisors) providing family office services for wealthy Asian clients ... these structures work as a dynamic network of different players’ discussed as a ‘Hybrid network Family Office Model.’” Yet, as single and multi-family offices gains traction among the Asian investment community, we expect Singapore to fully embrace the more traditional family office model

Different evolution of new model in Asia

ASIA	EUROPA/USA
■ First generation	■ N-th generation
■ Concentrated wealth	■ Diversified wealth
■ Bias toward equity	■ Multi asset class
■ Propensity to risk	■ Control of risk
■ Training “on the job”	■ University tuition of high level
■ Culture of control	■ Delegation and advising
■ Short term	■ Long term
■ Creation and ammassing of wealth	■ Wealth preservation

clients are profoundly different !

An Asian example: the Alps group of Hong Kong

ALPS Advisory (HK) Ltd. - Microsoft Internet Explorer

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Our Work Complements a Client's Existing Family Office

Your Family Office	ALPS
Bills Paying Concierge Service Trustee Services Trust Administration Estate Administration Family Continuity Family Governance Family Education Plan Foundation Mgmt. Grant/Disbursements Risk Management Insurance Tax Preparation Financial Reporting & Accounting	Wealth Transfer Development of Objectives Identify Strategies/Best Advisors Assist in execution Monitor and report Financial Planning Annual review of Wealth Mgmt Plan Tax & Income Plan Design and Implementation Investment Planning Discretion Philanthropy Planning
	Investment Planning Investment Policy Development Asset Allocation Manager Selection and Monitoring Operating business entities review Risk Management Risk Assessment Design and Implement strategies Consolidated & Custom Reporting Consolidated Net Worth Statements Performance attribution and analysis Benchmarks Executive summary

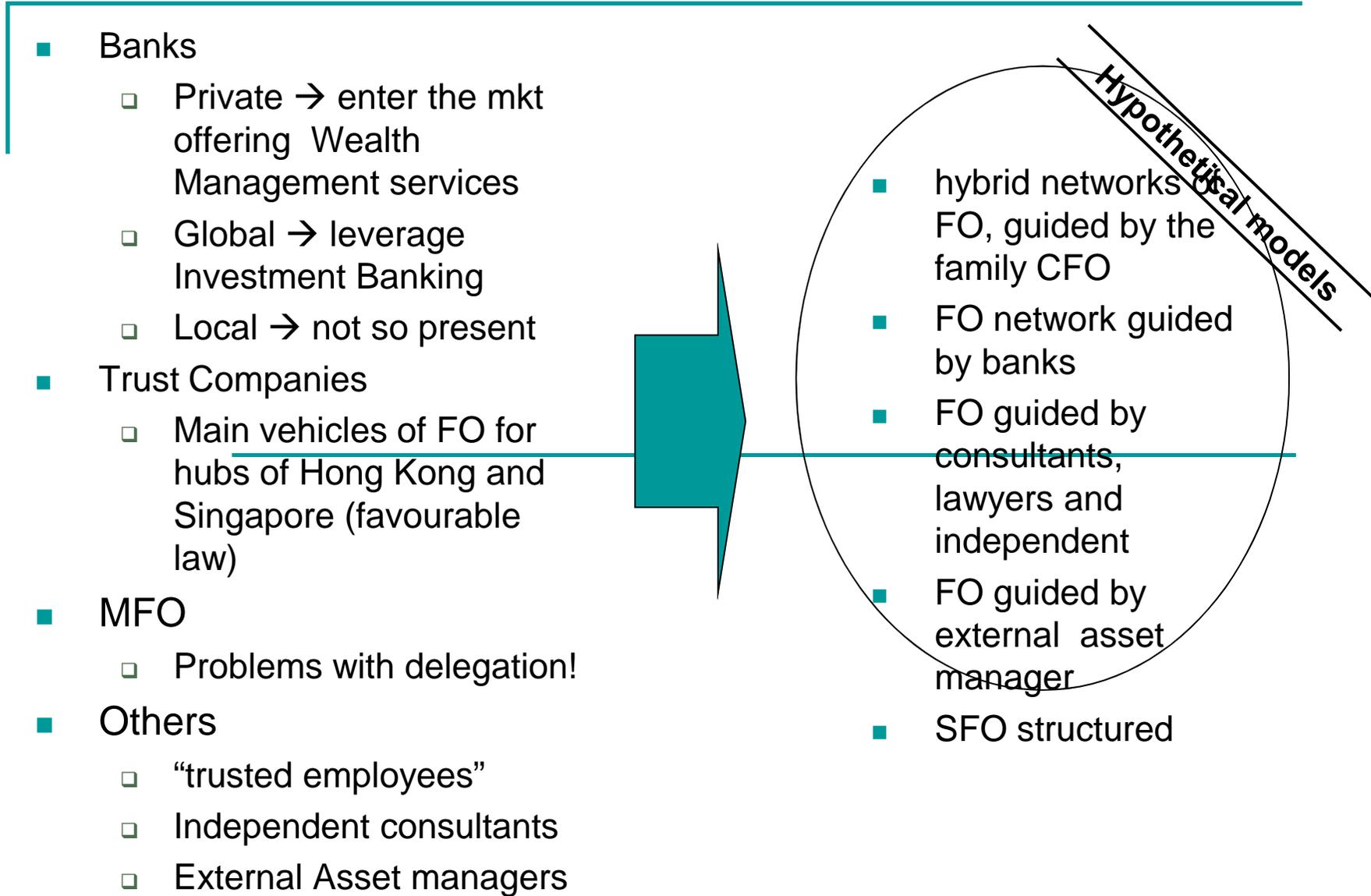
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Different actors can team up in hybrid networks



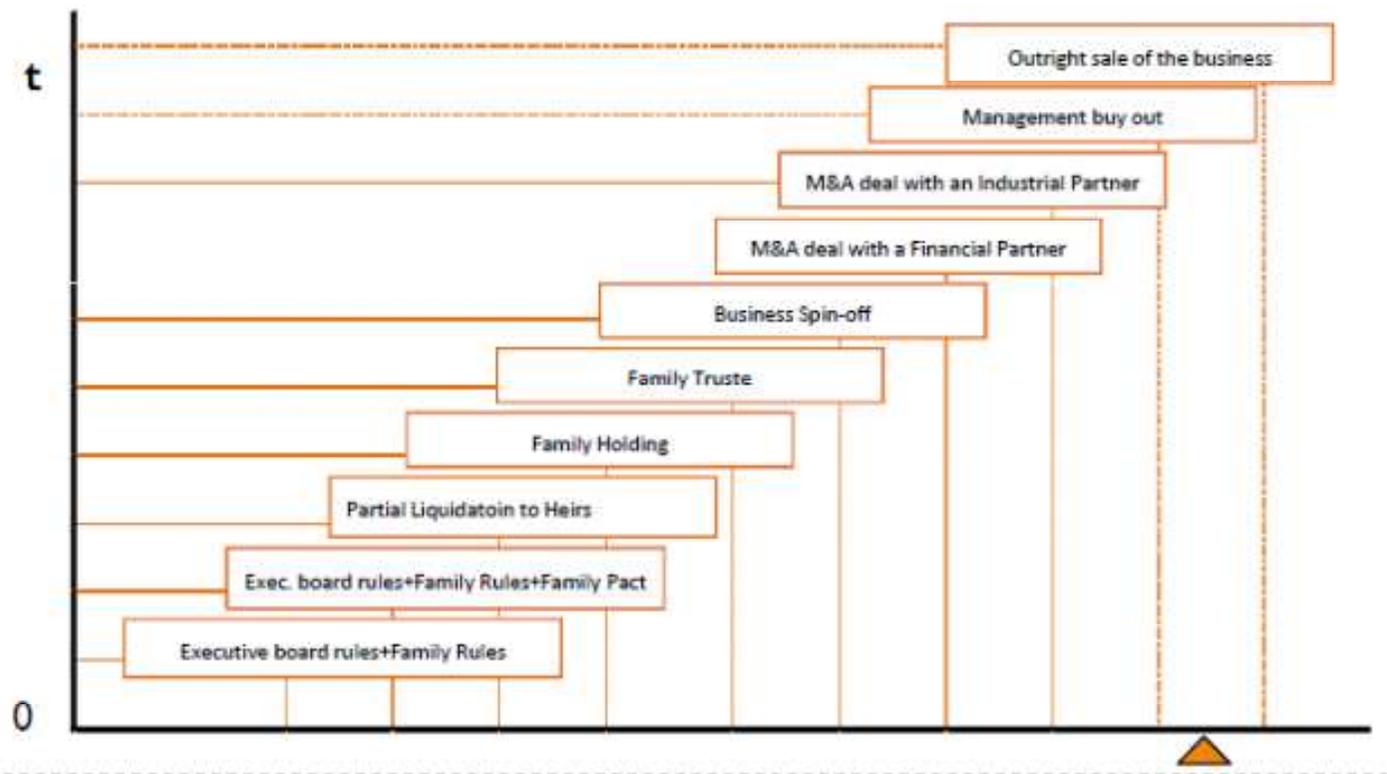
possible evolution in Asia

- Banks always there!
 - You can't have a FO without a bank
 - Both as supplier of services to FO and as MFO themselves (ex. Julius Baer, Pictet)
 - They know well Wealth Management which is the most requested service
- MFO european/anglosaxon
 - ~~Leverage its asian clients who will re-allocate their wealth from Europe and U.S. to l'Asia~~
 - Agreements with local banks and asset managers to exchange clients for know how.
- Trust and networks guided by “trusted employees/CFO”
 - Transformation in Single Family Office

A framework for business family consulting

t = time

▲ = complexity



From 2007 to 2013 some things stay the same, other new trends emerge

Figure 10 - Top Five SFO Activities (2007, 2009, 2011)

Activities	2007 Rating	Activities	2009 Rating	Activities	2011 Rating
Asset allocation	3.4	Asset allocation	3.3	Asset allocation	3.3
Manager selection & monitoring	3.3	Investing	3.3	Investing	3.2
Information aggregating & client reporting	3.1	Manager selection & monitoring	3.1	Manager selection & monitoring	3.1
Estate planning	2.8	Investment performance measurement	2.9	Risk management	2.9
Legal services	2.6	Estate planning	2.8	Estate planning	2.8

Most valued=4, least valued=0

More custodians, more investment managers: SFOs desire to reduce exposure to any single one

Figure 13 - Number of Custodians (2009 vs. 2011)

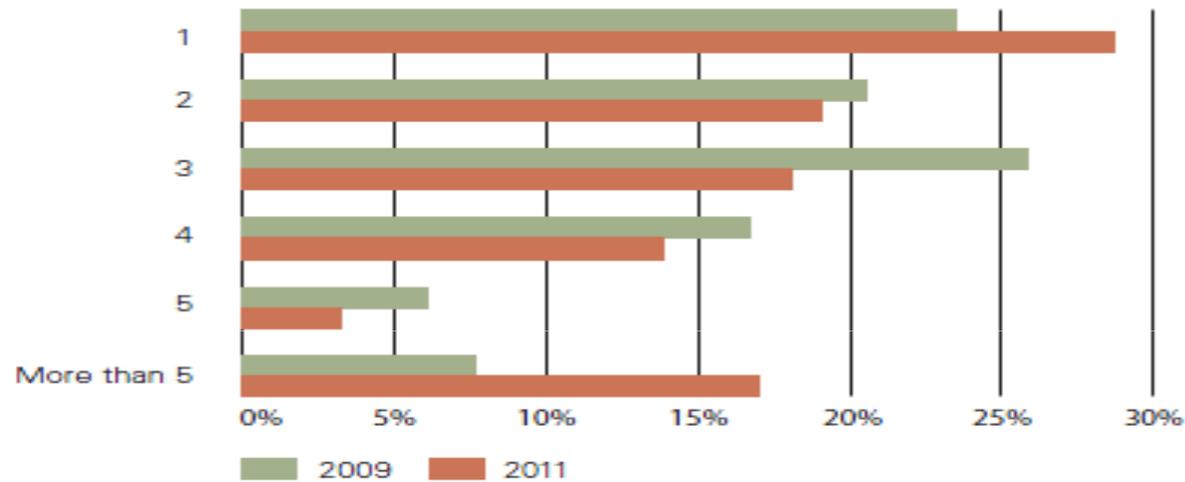
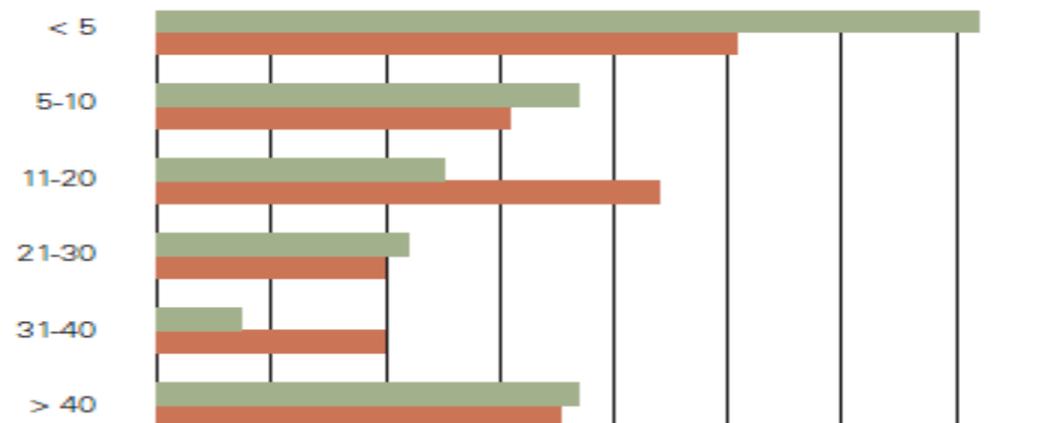


Figure 14 - Number of External Investment Managers (2009 vs. 2011)



trends

- As for performance, SFos serving billionaires outperform those serving millionaires
- When a large % of family wealth is still tied to the family business (normally first or second generation) the SFO is more of a holding company; when this is reversed in later generations, the SFO becomes more of a professional investment institution
- SFOs keep expanding their in-house capabilities
- Education programs are increasing, plus internships to 16-20 year olds
- Families are deeply concerned about potential vendor conflicts of interest
- Families are substantially enhancing risk management capabilities