

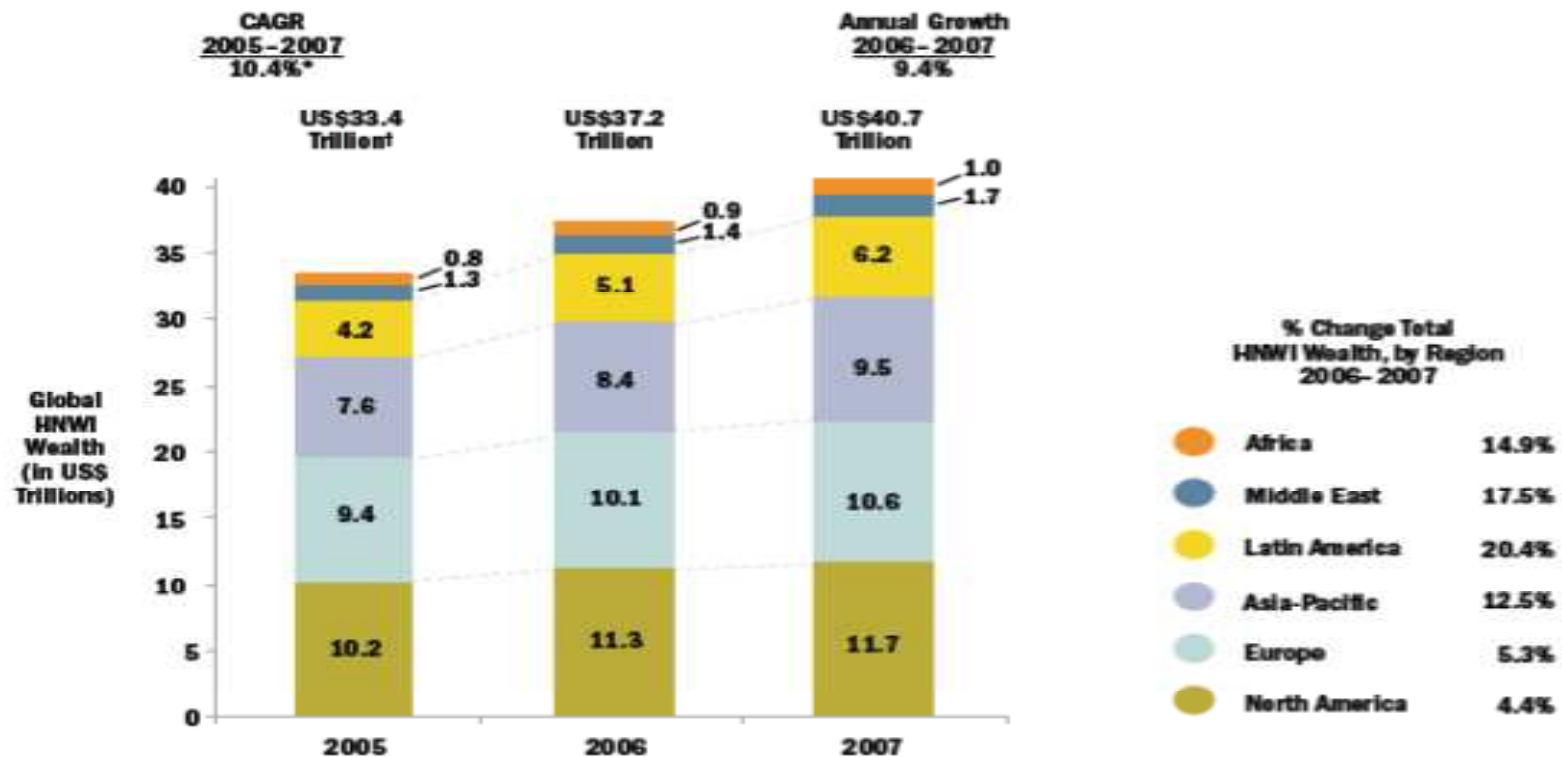
Lesson 18

The Family Office services : international evolution

Prof. Vittorio de Pedys

Hnwi keep growing...

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

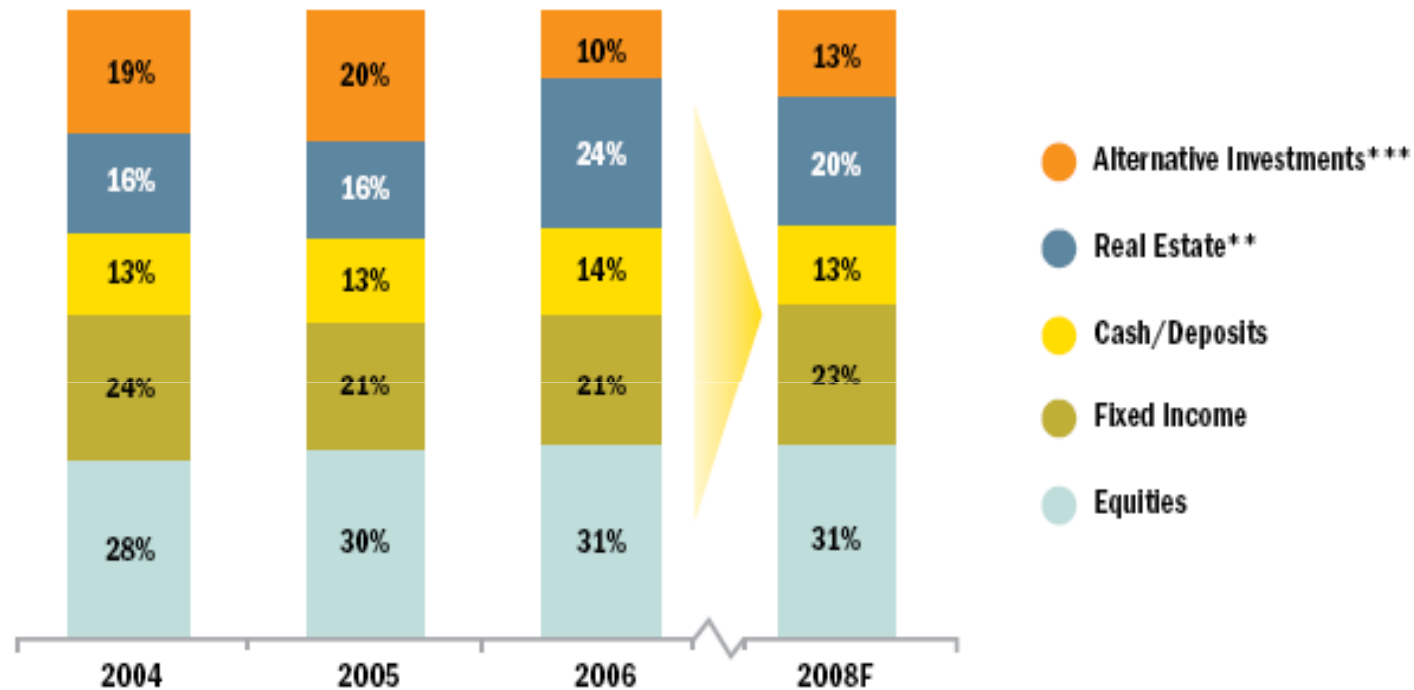


Asset allocation of wealthy families

	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



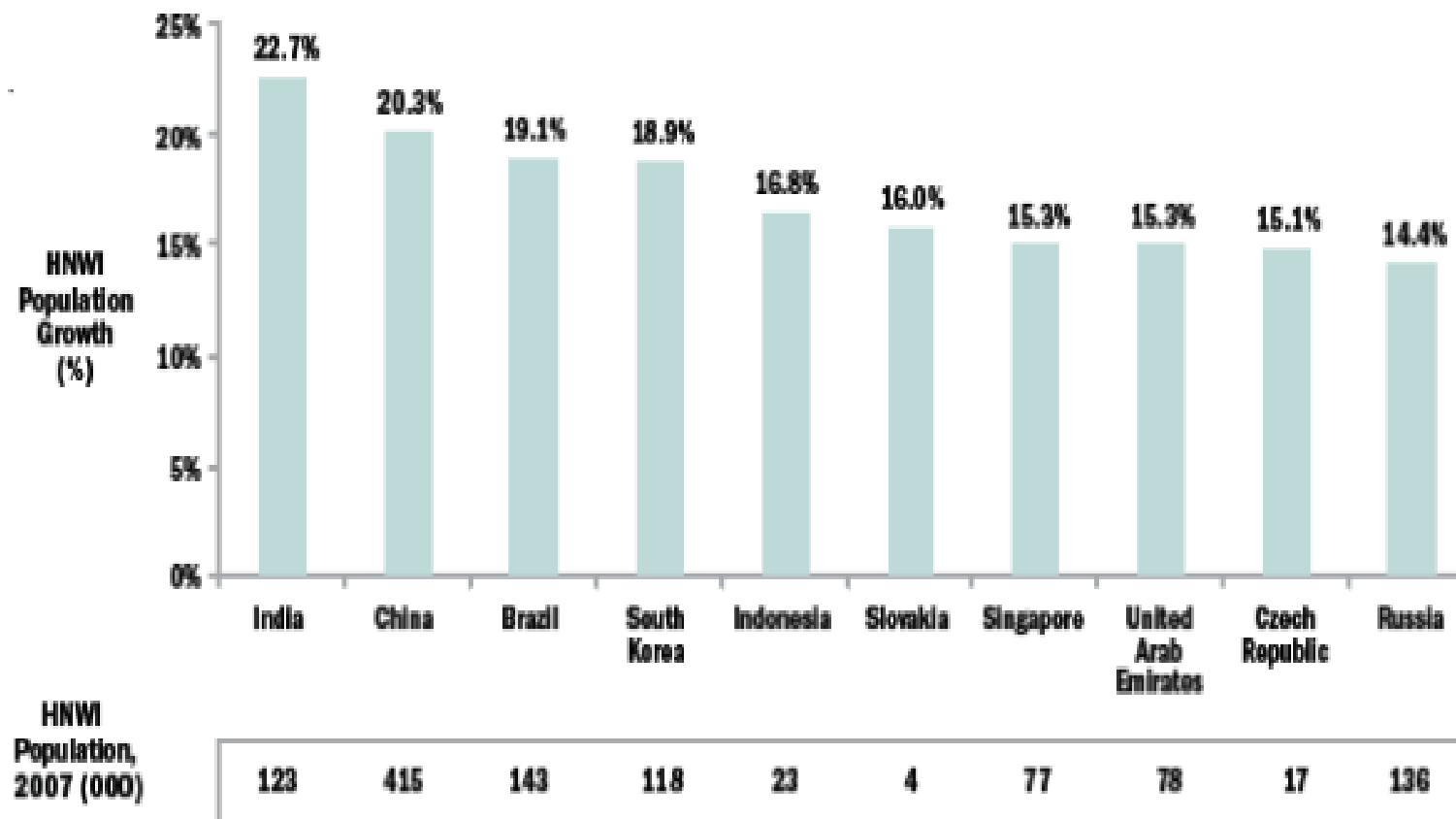
*** Includes: Structured products, hedge funds, derivatives, foreign currencies, commodities, private equity/venture capital, investments of passion, other (may include: structured credit, managed futures, etc.)

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

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

Growth is east...

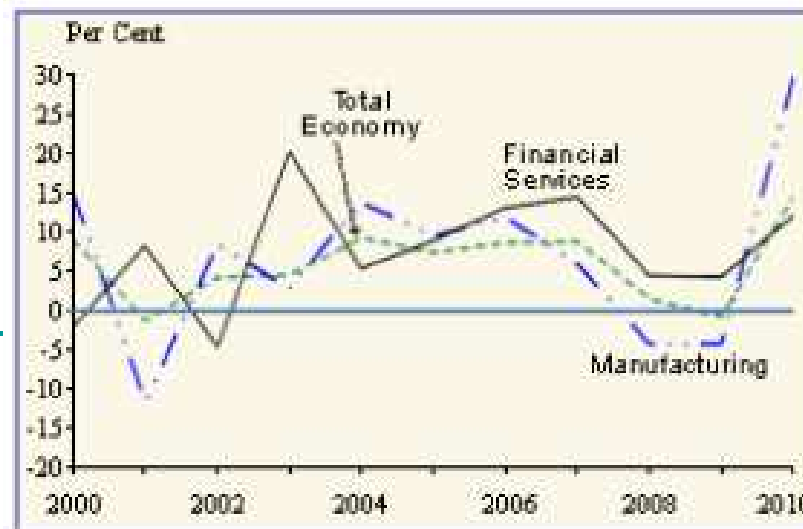
Figure 5. | HNW Net Worth Population Growth, 2006 – 2007 (by Market)



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 website features a blue sidebar on the left with navigation links under 'LEARN ABOUT' and 'ACCESS'. The main content area is titled 'About Family Office Exchange' and 'Member Value – Multi-Family Offices'. It includes a paragraph about leveraging FOX's member benefits and a diagram illustrating the 'FOX Member Value' with four surrounding circles: Research, Networking, Education, and Advisory Services.

Family Office Exchange - Microsoft Internet Explorer

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

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Family Office Exchange

LEARN ABOUT

- Family Office Exchange
- Family Offices
- Wealth Owners
- Multi-Family Offices
- Advisors
- FOX Research
- Benchmarking
- Educational Events
- International
- Membership

ACCESS

- Alternative Investment Center
- Resource Library
- Directory of Advisors

About Family Office Exchange

[Home](#) > [FOX Member Value - MFO](#)

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...

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graph TD; A((FOX Member Value)) --- B((Research)); A --- C((Networking)); A --- D((Education)); A --- E((Advisory Services));
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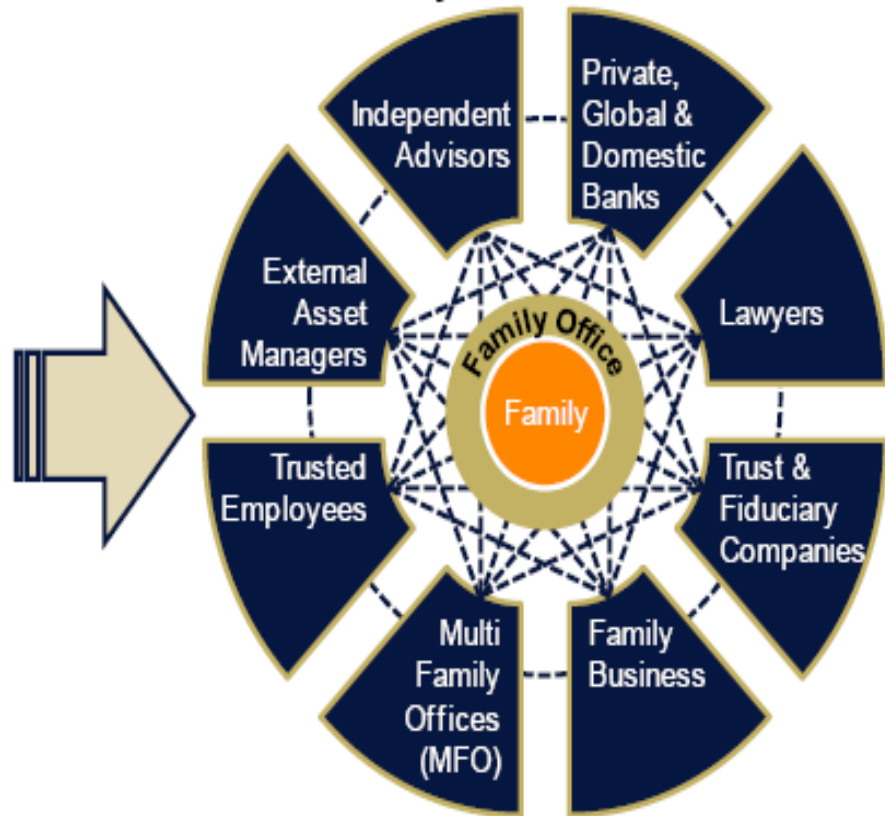

New world of FO : in Asia the f.o. business is at the outset and is not structured in classic models

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 nucleus

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
<ul style="list-style-type: none">■ First generation■ Concentrated wealth■ Bias toward equity■ Propensity to risk■ Training “on the job”■ Culture of control■ Short term■ Creation and ammassing of wealth	<ul style="list-style-type: none">■ N-th generation■ Diversified wealth■ Multi asset class■ Control of risk■ University tuition of high level■ Delegation and advising■ Long term■ Wealth preservation

clients are profoundly different !


An Asian example: the Alps group of Hong Kong

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Our Work Complements a Client's Existing Family Office

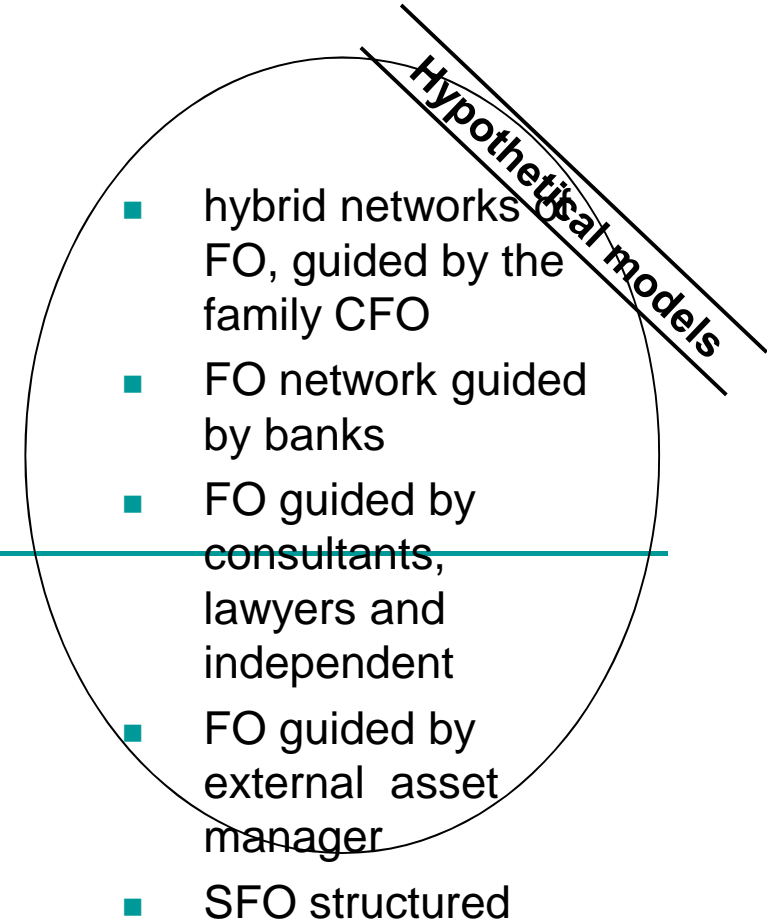
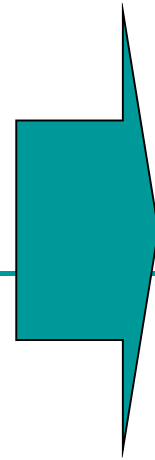
Your Family Office	ALPS	
Bills Paying Concierge Service Trustee Services <ul style="list-style-type: none">Trust AdministrationEstate Administration Family Continuity <ul style="list-style-type: none">Family GovernanceFamily Education PlanFoundation MgmtGrant/DisbursementsRisk ManagementInsuranceTax PreparationFinancial Reporting & Accounting	Wealth Transfer <ul style="list-style-type: none">Development of ObjectivesIdentify Strategies/Best AdvisersAssist in executionMonitor and report Financial Planning <ul style="list-style-type: none">Annual review of Wealth Mgmt PlanTax & Income Plan Design and Implementation Investment Planning <ul style="list-style-type: none">DiscretionOversight Philanthropy Planning	Investment Planning <ul style="list-style-type: none">Investment Policy DevelopmentAsset AllocationManager Selection and MonitoringOperating business entities review Risk Management <ul style="list-style-type: none">Risk AssessmentDesign and implement strategies Consolidated & Custom Reporting <ul style="list-style-type: none">Consolidated Net Worth StatementsPerformance attribution and analysisBenchmarksExecutive summary

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Different actors can team up in hybrid networks

- Banks
 - Private → enter the mkt offering Wealth Management services
 - Global → leverage Investment Banking
 - Local → not so present
- Trust Companies
 - Main vehicles of FO for hubs of Hong Kong and Singapore (favourable law)
- MFO
 - Problems with delegation!
- Others
 - “trusted employees”
 - Independent consultants
 - External Asset managers



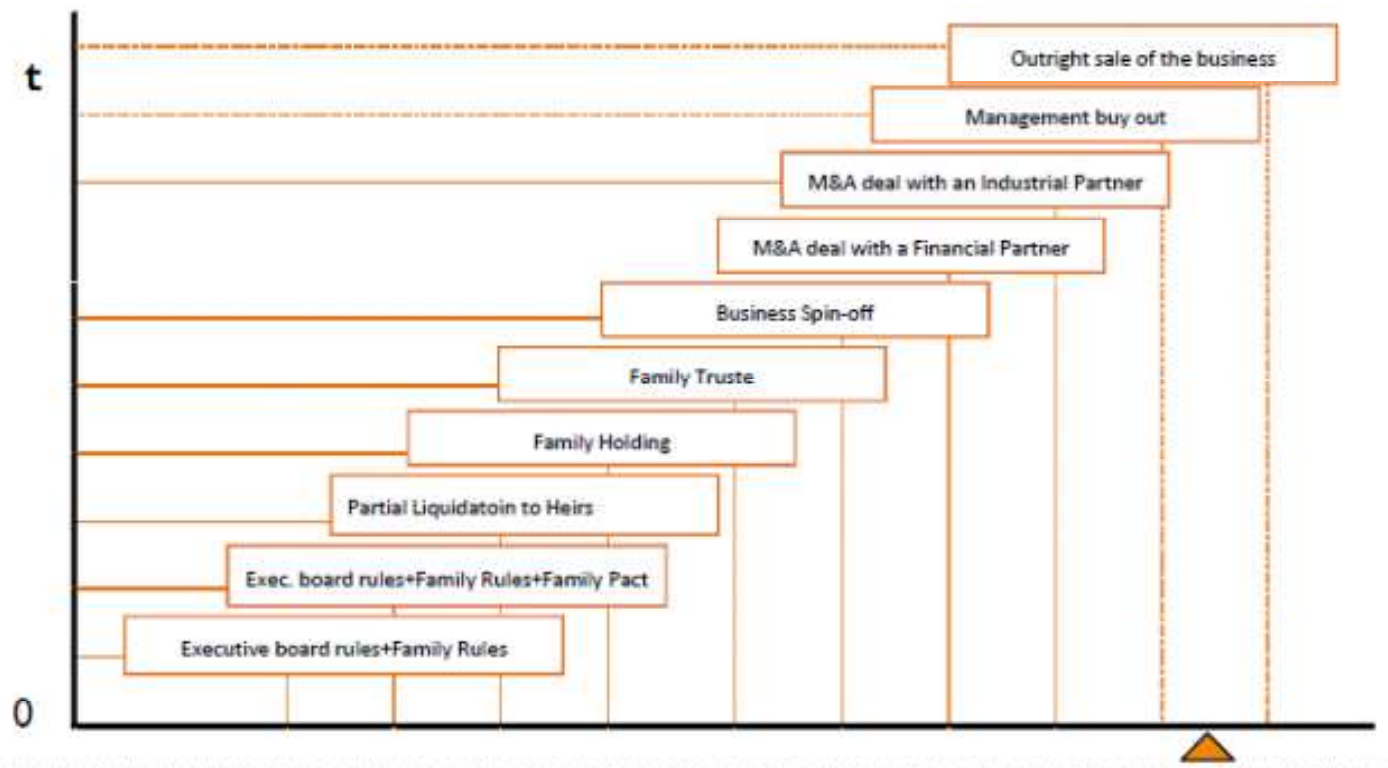
possible evolution in Asia

- 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)

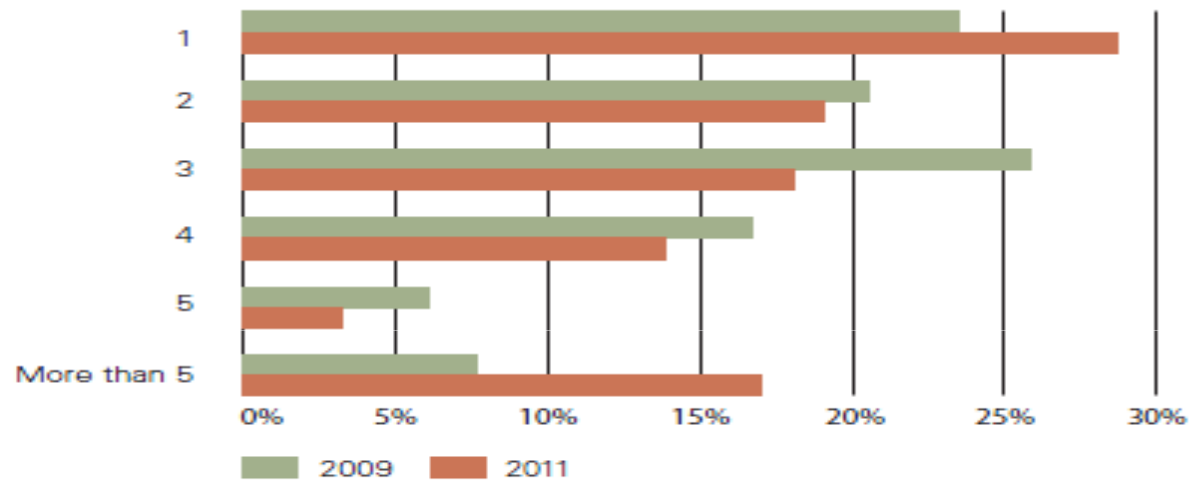
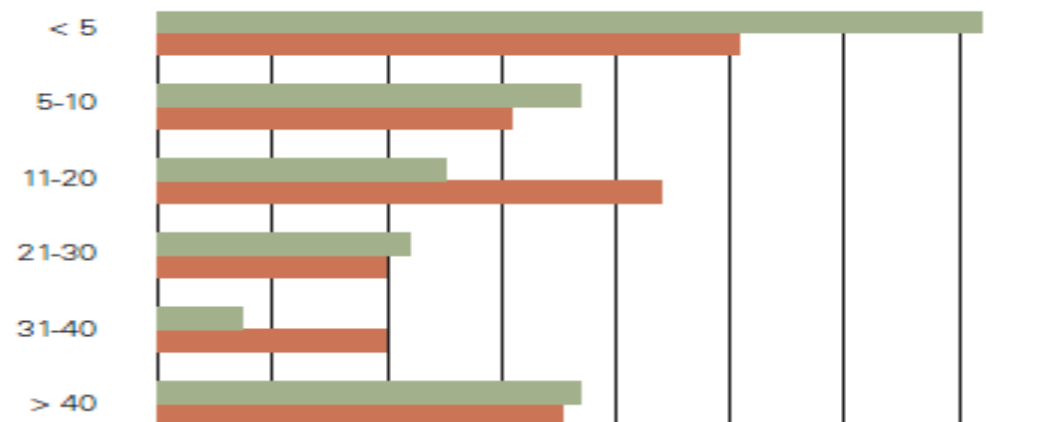


Figure 14 - Number of External Investment Managers (2009 vs. 2011)



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