FAMILY OFFICE AWARDS 2020

FAMILY OFFICE MAGAZINE

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ART & MUSEUM MAGAZINE INCLUDED

KARAM HINDUJA

CEO HINDUJA BANK

FAMILY OFFICES - UHNWI - WEALTH MANAGEMENT- PHILANTHROPY- LUXURY - LIFESTYLE

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The articles in this issue have been nominated for "Best overall contribution."

KARAM HINDUJA

CEO Hinduja Bank

Family Office Awards

2019/20

The Family Office Awards 2020 is honouring the contributors and our partners from within the Family Office Space and the Art World. This issue of Family Office Magazine has included articles chosen by the readers as the best and most informative from the past three years. We would ask you to select the winner in the different categories.

Please visit our website and vote in the nominated categories www.familyofficeawards.com

The Family Office Awards honour excellence and contributions in a number of categories within the Family Office and Wealth space including:

The announcement for the finalist in this issue are:

- Overall Contributor
- Ourstanding Brand
- Best New Tech
- Person of the year

We are now accepting nominations for the following categories, you can make a nomination on our website, www.familyofficemag.com

- Family Office of the year
- Private Bank of the year
- Wealth Management Firm of the year
- Service Provider of the year
- Best Conference Provider
- Person of the Year 2020 (Art Sector) -Winner will appear on the Winter cover Issue 2020

We have many contributors, some have been nominated from organisations such as Citi Private Bank's Art Advisory & Finance group. IFAR, LIVERPOOL BIENNIAL, Barbara Guggenheim, National Gallery of Ireland, Global Fine Art Awards, Hermann Historica Auctions, Larrys List, Leopold Museum Vienna, Art Business Conference, Deloitte Art Finance Conference, Independents Biennial, Falmouth University, Art Secure, One Art Nation, Masterpiece London, Artiq, Crawford Gallery Cork, SGS, Rolls Royce Art Programme, AXA ART, Fine Art Group, CollectorIQ and more.

The Family Office Awards 2020, Art & Museum nominations include our partner's events, many of which are the worlds leading Art Fairs and Conferences such as Art Market Unconference, Asia Contemporary Art Show, Deloitte Art Finance Conference, Russian Art Fair, Vancouver Art Fair, Deloitte Art, The Business Art Conference the British Art Fair, Volta, Asia Art Fair, Vancouver Art Fair, Winter Art & Antique Fair Olympia and more.

If you want to make a nomination in any one of the categories listed above, please visit our website, www.familyofficemag.com or please email us with feedback: info@familyofficemag.com

THE HINDUJA FAMILY NEXT GENERATION MAKING AN IMPACT

2020 was meant to be a new beginning. Few could have predicted that our lives this year would be shaped by a pandemic. Many of us are starting to emerge from the testing times of lockdown only to face what could be a long period of economic uncertainty. The CEO of Geneva-based Hinduja Bank (Switzerland) Ltd, Karam Hinduja, however, explains that the year could also mark the start of a promising new decade.

Representing the latest generation of the distinguished, international family of entrepreneur Srichand "SP" Hinduja – who, on founding Hinduja Bank in Geneva, became the first Indian to hold a coveted Swiss banking licence – Karam also draws on extensive business experience in managing the investment portfolio of the SP family branch.

As the founder of the diversified media company, Timeless Media, and impact investment network, Karma, Mr Hinduja has carved out a niche as a commentator on impact investment. As a banker, meanwhile, he has focused on meeting the needs of a new generation of growth-oriented investors placing an ever-greater emphasis on environmental, social and governance (ESG) principles. With the worlds of business and finance grappling with today's readjustment post-pandemic, Family Office Magazine asked Mr Hinduja for a range of his perspectives at this time of flux.

FOM: What advice or reflections would you offer as the world begins to emerge from lockdown and reopen?

Mr Karam Hinduja: 2020 should have begun looking ahead to a new decade; instead, the pandemic has been a trying time for everyone. But we must take some perspective. I would say that we have been given a unique opportunity to reflect on how we approach global economic growth. This pandemic has affected everyone, every industry, every sector. It has shown just how fragile our global,

KARAM HINDUJA
CEO HINDUJA BANK

interconnected economic system really is. It has, of course, refocused our attention on the importance of public health and supply chains. But, crucially, we still have another challenge looming in the background – climate change – which will only become more pressing and require us to make big choices on our use of energy and infrastructure. In the future, we may look back on this time of upheaval as a chance for a great reset.

As a time when we began to take a new, much more concerted effort to support impact investment, and when investors and entrepreneurs really began taking a proactive approach to protecting the planet and serving humanity. We must not waste this opportunity to set the tone for the decade ahead.

FOM: What part do you think business leaders, investors and entrepreneurs such as yourself can play in these uncertain economic times?

Mr Karam Hinduja: Slowly coming out of a pandemic, there is no doubt that the global economy is entering a critical juncture. We hear a lot about the need for cross-sector partnerships, and for the financial sector, especially, to show leadership in the recovery. It's a soundbite, but it's true. Cross-sector collaboration is vital, because we must realise the challenges the world is facing right now are about much more than health. Karma, which I developed to help impact investors pool knowledge and build vital networks, already recognised the need to take a holistic approach not only to supporting development in health but also energy, infrastructure, and fast-growing cities – especially in South Asia and the Middle East.

The economic impact of the pandemic will be considerable: the world has been pushed into a recession, and the IMF believes its effects will be worse than the 2008 financial crisis. The public sector will face levels of debt unknown for decades. So the financial sector is going to have to focus ever more on impact, pooling its expertise, resources and energy into supporting people and the planet.

FOM: What does the start of the 2020s mean to Karam Hinduja?

Mr Karam Hinduja: Like everyone, this period of lockdown has made me acutely aware of the importance of family – so, personally, I intend to spend the 2020s valuing time with those close to me.

Professionally, of course, it is a chance to renew my focus on Hinduja Bank's growth story. Having been appointed the new CEO of the Bank this spring, it is a real honour to be able to chart its evolution now from the helm, given the institution's pedigree and trusted reputation of more than four decades.

I am looking forward to applying my banking experience from my work in the Middle East, reinforcing our role as a bridge for clients and entrepreneurs whose ambitions are global and attuned to growth markets. And I am particularly excited about helping clients tap new opportunities as we broaden the scope of our offering as a private bank.

FOM: You have mentioned that you wish to "break the mould" of traditional private banking. Tell us more.

Mr Karam Hinduja: Above all, while the Bank has rebranded, it has not compromised on continuity with its heritage. Staying true to what has made our institution so respected and successful – thanks to the efforts, insights and perspectives of its founder, SP – I think is crucial for us as a private bank. Our clients value the stability and attention we can provide to them. They care about longevity; they respect commitment. As in any family business, we want to treat our clients as part of the family, and will continue to do so.

But, at the same time, we are looking ahead to evolution. We are embracing the merchant banking model, building out our entrepreneurial asset management, asset protection and holdings management capabilities. Crucially, it is my mission to make private banking truly resonate with the values of the next generation. So this means aligning capital growth with a strong commitment to protecting the planet and to serving humanity. We are offering more to the next generation of investors and entrepreneurs who come to us knowing that we respect both people and the planet.

In this respect, I see several key opportunities for the Bank: not only through building a new, entrepreneurial asset management offering, but also by giving investors the tools to create impact-driven portfolios. There is the chance to offer clients exposure to alternative, future-proof investments, in growth markets and in clean energy infrastructure, for instance.

FOM: You have certainly placed great emphasis on impact investment and ESG in your career. Will this extend to your tenure at Hinduja Bank?

Mr Karam Hinduja: Absolutely. Karma and Timeless have been dedicated to enabling opportunities in the impact space. I recognised that while businesses and entrepreneurs are in a prime position to help advance human development, spur technological innovation and protect the environment, they need to be able

to connect and learn from each other. This was the rationale behind Karma: its model facilitates much more than the flow of news and headlines – it is a networking platform that enables its subscribers to dig deeper into the issues and learn from each other, to unlock real-world, actionable opportunities.

In much the same vein, I consider socially responsible development to be an integral part of the Bank's mission too. We want to enable our clients to channel capital to those investments that can support the three Ps – protecting both people and planet, while not compromising on profit.

I would stress that, in the financial sector, environmentally and ethically conscious investments have been considered "alternative" for far too long – our mission is to prove that they are also opportunities from which clients can unlock long-term growth. Indeed, I would argue that no future-facing bank can realistically afford to ignore a strong commitment to ESG principles. Greenwashing has never been a sound strategy, either for shareholders, employees, regulators, clients or the public; but I believe that falling short on an ESG strategy increasingly makes no sound business sense.

There are strong reasons why I am convinced that we should put our money where our mouth is on sustainability. We must be conscious of the fact that the millennial generation is maturing; this is a key development, as they are increasingly looking for stability, for long-term growth and to preserve value. At the same time, they have not lost sight of their desire to for help support society and the environment. Demand for impact is only going to grow in the years ahead, and I intend to meet that demand.

FOM: Even in these uncertain times, are you optimistic for the future?

Mr Karam Hinduja: When looking at the challenges the world faces – from climate change to energy, to economic growth – it is very easy to feel apprehensive. I think especially right now as the world starts to emerge and recover from a pandemic. But we must look toward the long term. This is what any successful private bank must do. I strongly believe that a financial institution like Hinduja Bank, for example, with a strategy that is agile enough to cater to new pressures and demands, will be the one that can navigate uncertain times.

From my time working for the Bank in Dubai, meanwhile, I know that some of the most dynamic and exciting parts of the world – many to be found in the Middle East and Asia – are also among those working most proactively to address the world's key issues and challenges, be they to do with climate change or urban growth. I refuse to call such markets "emerging markets"; they are "growth markets". To be able to witness their positive growth trajectory at first hand, as part of Hinduja Bank, has been particularly exciting, but what encourages me most is to know that we are supporting clients make opportunities in these global geographies, in order to really make a difference.

More broadly, I also know that the world is full of creative entrepreneurs and businesses out there that are inspiring positive action. This was the rationale behind launching the Timeless group of businesses, for example – I recognised that a combination of advanced data collection and human understanding would go a long way towards meeting the world's most pressing challenges.

Exploring my passion for the media has taught me that it goes far beyond meeting a mere demand for entertainment – and that, in fact, data-driven content can play a major role in providing unique perspectives on the world's key issues, and helping to connect those visionaries who can redefine our world.

FOM: What changes in the financial industry do you see on the horizon?

Mr Karam Hinduja: I think the financial sector needs to appreciate that we, as a society, are going to have to have some serious discussions about the sustainability of the choices that we make. Everything from the companies that we invest in, to the media we consume, to the jobs we take, to the energy we use in our homes, and even the food we eat. The short-term economic upheavals we have already seen in 2020 could well be followed by broader, more lasting shifts.

Already in the past few years, for example, in the venture capital industry we have seen astronomical valuations – comparable in some respects to the dizzy heights of the dotcom bubble. I think that unless it takes a more sober, sustainable stance, it may have to face up to a real reckoning in the near future. Otherwise, growth and prosperity will be put on the line. The financial sector clearly has to re-evaluate its approach. It must not only be able to account for these shifts well in advance; it also needs to be able to support the growth and development of actual, pragmatic solutions to the world's most pressing challenges. I only hope that the decisions are sustainable, and do not threaten the future of people and the planet.

Karam, thank you.

About Karam Hinduja:
Karam Hinduja is CEO of Hinduja Bank (Switzerland) Ltd. An experienced banker, asset manager and entrepreneur, he previously served as a member of the Board, and on the Board of Hinduja Bank Middle East, the Bank's Dubai-based subsidiary.

Karam is the founder of diversified media company, Timeless Media, and impact investment brand, Karma, and has also managed the portfolio of the family branch of entrepreneur Srichand "SP" Hinduja.

ROLLS ROYCE AERO COWLING

The Aero Cowling is not designed to simply transform the appearance of the Dawn

ROLLS ROYCE 'DAWN' AERO COWLING

by Kevin A Murphy

"The Aero Cowling is not designed to simply transform the appearance of the Dawn"

Originally presented at the 2018 Geneva Motor Show, the first Dawn Aero Cowling was matched perfectly with the Cassiopeia Silver and Casden Tan colour scheme of the motor car it adorned.

The central spine was finished in exposed carbon fibre, showcasing its lightweight structure, with a weave book-matched to a contemporary chevron graphic. This intricately detailed spine harmoniously ran down the centre of the car, through the centre console and onto the dashboard.

The Rolls-Royce Dawn was created to deliver the world's most social, seductive open-top motoring experience for four people. In doing so, it attracted a new type of client to the marque – successful, young and dynamic men and women drawn to Dawn's contemporary aesthetic and compelled by its owner/driver appeal.

To add yet more aesthetic appeal to this remarkable motor car, the Rolls-Royce Bespoke Collective of designers, engineers and craftspeople created a removable Aero Cowling. Introduced in 2018, this modern and meticulously constructed piece converts the aesthetic of Dawn into a two-seat roadster-style motor car with an extended tonneau cover sitting atop the two rear seats. By creating a higher-shouldered silhouette, Aero Cowling alters Dawn's persona and heightens its sense of dynamic intent.

The Aero Cowling, which can be fitted and removed at a client's discretion, encloses the rear seats beneath a beautifully hand-made cover, with two cowls rising from the leading edge of the tonneau area, to a point just behind each front seat headrest. The form of the cowls was precisely sculpted to funnel air gracefully over the cabin, so to enhance driver comfort.Since its launch, Aero Cowling has enhanced many Bespoke commissions. One of the first was the Bayside Dawn Aero Cowling, commissioned by a customer in Yokohama, Japan, to pay tribute to his seafaring home city. It matched cutting-edge technical

fibre with open-pore teak Canadel panelling, drawing inspiration from yacht decking. The Aero Cowling's colourway evoked blue seas and white sails in the finest traditions of Yokohama Bay.

Most recently, Aero Cowling adorned Dawn Silver Bullet, revealed in early 2020. Inspired by rare, glamorous and rakish roadsters of the 1920s, this motor car's tonneau was finished with an ultra-metallic silver-painted central spine and a vapour-blasted titanium windbreak, etched with the Silver Bullet nameplate and silhouette.

Aero Cowling is able to amplify a more striking aesthetic as well as elegantly contribute to its form. Arguably, its boldest appearance was part of the marque's 2019 Pebble Beach Collection where it was incorporated into a Dawn Black Badge finished in striking Coral.

HOW TO WORK FOR A BILLIONAIRE

The Inside Track on how to enter a Family Office

Have you ever wondered what working in a family office is really like? If you plan to work for an 'FO' as an aspiring candidate, Somers Partnership recently published a behind-the-scenes insight into this secret world and how to prepare for its idiosyncratic and unpredictable environment.

15,000 family offices control $13tn of global wealth and there are purported to be over one thousand family offices in the City of London alone suggesting that How to work for a Billionaire is well-timed.

Finding such a position will be centred around understanding the culture you, the prospective candidate, will be happy in and, hard skills taken as a 'given', whether you have the right balance of soft skills to sustain a career in what is often a relatively small and less structured office. Whilst specific advice guides candidates through the recruitment process, much of its counsel applies equally to any family business or to individuals hoping to establish any general business relationship with a family office.

Family Offices exist to exercise better control and governance over their assets and intrinsic to this are privacy and confidentiality, safety and security, accumulation and preservation of wealth for future generations. Moreover, one of the key reasons for the shift from private banking and traditional wealth management to a family office is that it offers freedom to invest without adhering to FCA or similar regulation, enabling a more agile business environment.

This four-part e-book includes an introduction to Somers Partnership and its credentials as a recruitment company for sharing its knowledge, yet Somers also introduces a panoply of experts in the field. Starting with the basics - what is a family office?, it goes on to clarify the difference between single and multi-family office eco-systems and likely thresholds of wealth required to start an 'SFO', these being typically north of $100m.

Book review by Pandora Mather-Lees

What sort of positions are available in family offices? The core functions are fairly predictable from the recognised C-suite business management roles covering HR, financial, legal, IT, security and risk management. However, there will be a strong focus on a first-class investment management team, asset management and passion assets such as art, yachts and other acquisitions. Third there is also a need for candidates possessing trusts and estates expertise and lifestyle management with attention to the concierge needs of family members, their education, personal security and support. Family offices today are experiencing a growing need too, for compliance and ethical corporate governance; they must sustain an overview of activities, investments, procurement and maintain the ethos of the family at large.

Employers will be looking for the relevant qualifications in these respective fields as well as an exceptional IQ and EQ – Emotional Quotient, which would enable candidates to fit in to what is in effect a more personal space. The book dedicates a section to the scope of each position and some of the support roles and entry points. What is clear is that the desired qualities are impartiality, discretion, drive and a cultural alignment with the goals and mission of the family and its Principal. Those who might not fit the bill of an SFO or small family run MFO may be better off working for a multi-family office service provider which will have a more structured and corporate environment. The second chapter of the book looks in detail at multi-family offices and how they differ from single family run offices, how they charge for their services, how the pay scales differ and how they operate.

Chapter three takes candidates through a very concise understanding of the recruitment process from applications to onboarding with helpful guidance on interview questions. The final chapter explains, having been successful, what life will be like on the other side, day to day work and how to engage with the principal and family members. These insights should be carefully considered by prospective employees and again, there is some enlightenment from those already within the sector addressing career advancement, what not to do to make a career-limiting move and how pay structures and bonus schemes are addressed.

Conclusion

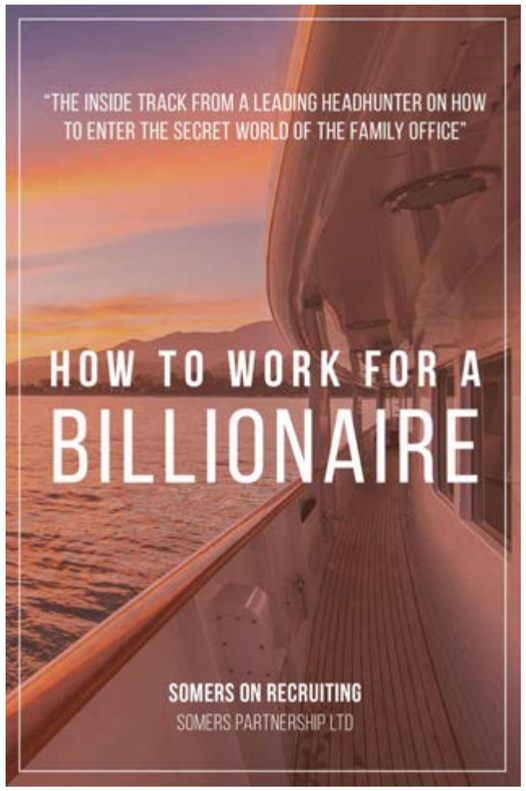
From the first ever family office started by Andrew Mellon in 1868, there are today 44,900 individuals with investable assets of at least $100m and 4,500 with over $500m making this a meaningful employment sector with a variety of job opportunities around the world. Top locations for candidates will be New York, London and Switzerland although certain aspects of the offices can often be offshore and are increasingly 'virtual'.

Given that no two single family offices are the same, explaining what it is like to work in one is an ambitious task. This book presents itself as more of a 'go-to' manual and is invaluable for its clear structure and first-hand reports from employees and key figures in the sector. The publication's key point is that emotional intelligence and adaptability are vital qualities, working life is less predictable and potential candidates require agility to adapt to frequent changes of direction. Nevertheless, working life will be more absorbing as you will be part of a close-knit team and fulfilled by visible results.

For many on the outside working for a family office may be seen as the holy grail, but it is not for all and reading this publication will correct any misconceptions and prepare prospective employees for family office life.

How to Work for a Billionaire by Somers Partnership is available in hard copy and on Amazon Kindle for £60.00.

Pandora Mather-Lees is an art historian who has worked in three global family companies in the creative sector. She is also founder of ArtonSuperyachts.com and Senior Editor of Family Office Magazine.



BEST PRACTICES FOR COMBATING CYBERCRIME IN THE FAMILY OFFICE SPACE

By: Edward V. Marshall, Family Office Specialist, Citi Private Bank

There were 781 data breaches reported for 2015. The estimated annual cost of cyber-attacks is $400B and the estimated global cost of cybercrime will reach over $2T by 2020. These are a few staggering statistics that provide insight into the nature of a risk management problem that is often discussed but whose nature is seldom well-understood.

With this backdrop, data breaches continue to increase annually. There is no shortage of news stories describing cyber-attacks. Attacks ran the gamut from the theft of credit card information, exposing of sensitive medical or financial information, hacking the servers that help run the Internet, stealing political documents, and shutting down power generation in parts of a country at war.

One key trend in the cybersecurity landscape is that the threat is actively evolving. The volume and sophistication of threats are increasing. Whereas perpetrators can make countless attempts but only need to succeed once, those affected by cyber-attacks face potentially overwhelming effects from just one cybersecurity failure. The hacker threat has expanded beyond opportunistic individuals using common techniques to include nation-state actors and professional cybercriminals that are properly motivated and armed to wreak havoc on information systems.

Enter Family Offices. Family Offices represent and manage tremendous amounts of wealth around the world. Family offices represent 8% of the global UHNW population but represent nearly 50% of global UHNW wealth. In North America alone, there are an estimated 4,500+ Family Offices (Source WealthX). Complex and dedicated efforts to ensure cybersecurity are often given insufficient attention within a Family Office unless a serious breach has occurred in the past with the family. A recent report by Campden Wealth indicated that 15% of Family Offices surveyed were victims of a cyber-attack with losses generally of $50,000 or less with one incident that cost a family more than $10 million. Don't let the lower dollar value of losses fool you into a sense of security. Hackers use these lower numbers as demands so that people will choose payment to get a quick fix versus trying to fix a problem. Hackers are often impatient and often prefer smaller "sure thing" targets versus drawing unwanted additional attention (e.g. the FBI) through very large demands.

Willie Sutton, an accomplished bank robber, was once asked why he robbed banks to which he replied: "because that's where the money is". This problem creates a similar dilemma for Family Offices and makes them a lucrative target for hackers. Many Family Offices have the "wealth" commensurate with small and medium enterprises, but they typically don't put in place the same levels of security. This, unfortunately, has often led them to inadequately understand and protect against cyber-attacks, which are often regarded as problems for large corporations and governments. This complacency usually makes Family Offices an easier target when compared to other institutions or businesses. However, looking at wealth alone as a predictor of cyber-attack threats is myopic. Specifically, Family Offices face complex cybersecurity challenges because of these six differentiating factors: informal governance structure, efficient service vs. effective security, underinvestment in critical information technology systems, heavy reliance on small staff with outsized access to critical data, security risk from external vendors & partners and fame & publicity.

News headlines and the steady drumbeat of warnings of the consequences of improperly preparing against cybersecurity risks have made the threats look like a "hydra-tackle" one problem and two more appear. Family Offices are asking: What should we focus on? Is protection against the threats worth the expenditure? Who can we trust in the cybersecurity market? Are there benchmarks from other sectors we can emulate? Regardless of what stage of cybersecurity preparedness Family Offices find themselves in, they should start developing a comprehensive information security program that is flexible and can incorporate lessons learned and adapt to new threats. We recommend that Family Offices consider a framework on 1) technology, 2) people, and 3) process when implementing and improving their cybersecurity programs. Too often, families will sacrifice training over a new hot technology service or ignore simple improvements like annually checking their staff's software and devices to make sure they are updated and conducting routine training on cybersecurity protocols. Furthermore, Family Offices need to identify what and where critical digital assets are. Family Offices have to understand what the "crown jewels" are and determine if they are safe even if their network has been breached.

People are often the weakest link in the information security system for a Family Office. The level of awareness of information security threats and the proper ways to combat them has great variability. Therefore, cybersecurity education should be a key part of family planning and business operations meetings. A simple way to help shore up cyber defences is through the creation of Family Office cybersecurity policies. These policies can be derivations of parent companies that created the wealth that are customized to the unique nature of the Family Office. Policies should include recommendations on how to prevent cyber-attacks and what to do in case a breach is detected. Policies should be updated regularly, and Family Office teams should regularly certify that all members (including the Principal) understand the policies and procedures.

As awareness grows, so does the proliferation of published information on cybersecurity issues for Family Offices. Staff should regularly research cybersecurity issues from Family Office associations, webinars, podcasts, and on LinkedIn. Family Offices should also examine private and public cybersecurity organizations such as APWG (http://www.antiphishing.org), ISACA (https://iasca.com), No More Ransom Project (https://www.nomoreransom.org), the Cyber Threat Alliance (https://cyberthreatalliance.org), the Department of Homeland Security (https://www.dhs.gov/how-do-i/protect-myself-cyber-attacks) or the FBI (https://www.fbi.gov/investigate/cyber). There is also a cottage industry of security professionals and organizations that are springing up to cater to Family Office security and specifically cybersecurity issues.

Family Offices should contact their attorneys, accountants, corporate Chief Information Security Officers (CISOs), and other professionals to identify suitable cybersecurity partners.

Family Offices should also consider working with internal or external partners to test staff awareness of these policies. For example, a family could work with internal teams or hire an outside vendor to perform "white hat" simulated cyber-attack tests against staff to determine weak points and increase general understanding of threats. These tests are usually "pretend" malicious attachments, Tweets, and Facebook messages with pretend malicious shortened URLs. If a Family Office staff member clicks on the link, they typically will get a "gotcha" surprise. Regardless of the type of training, Family Offices should consider refreshing and educating no less than on a quarterly basis.

In conclusion, Family Offices face a challenging world as cybercriminals look to exploit their very nature. Threats continue to evolve in cyberspace because new defence mechanisms lead to innovative new attack methods and vectors. Building a resilient, mindful, and learning culture around information security is vital for Family Offices of all sizes and jurisdictions.

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TOP 5 FAMILY DYNAMICS IN PHILANTHROPIC FAMILIES AND WHAT YOU CAN DO ABOUT THEM

PHILANTHROPY ARTICLE

Even in the most successful families, misunderstandings, disagreements and power struggles can occur—and that might be on a good day. Add wealth to the mix, and family dynamics become a tricky business that can hinder good decision making. This is especially true when family members must make decisions together about money—whether that's making money, keeping money, or giving it away.

How can family offices help their families navigate these complex and confidential matters in a way that supports the best interests of the family and its philanthropy?

First, know that all families operate in ways that are influenced by family dynamics. Although a family itself is a larger system, it comprises individual members who have their own interests, goals and preferences. These individuals are born into certain roles in the family and may consciously or unconsciously play out certain scripts as a result of their role, be it patriarch, a matriarch, son, daughter, sibling, cousin, niece, nephew. Family dynamics is the way in which members of the family interact with each other, based on their roles, as well as their personality or their individual style.

When working in a family office setting, it helps to be prepared. Here are five of the most common family dynamics that can arise in philanthropic families—and some quick tips to help mitigate them.

1. The family matriarch and/or patriarch establishes a philanthropic foundation or fund with the hope (i.e., expectation) that the adult children will carry on the work.

The challenge here is that if the parent's haven't involved the children early on in the family enterprise or philanthropy, the children may respond to the "opportunity" with delight or dread. The children may

Suzanne Hammer
Hammer & Associates

feel that philanthropy is their "parent's thing" or feel pigeonholed by the funding focus set by the parent's. The younger generation may also move away and no longer feel connected or interested in giving to the geographic area designated by the parent's.

What can families do? Talk with kids in advance, especially as those kids enter early adulthood. Find out about what their interests are, and how they might intersect with the foundation and/or family philanthropy. If geography is an issue, discuss ways the younger generation can honor their parents' wishes, and yet connect and feel rewarded in the work. Use discretionary giving as an option to meet various community needs and family interests.

2. Founders of the family philanthropy have a hard time passing on control to the next generation.

Some family leaders aren't willing to let go and are bent on maintaining control—even from the grave. They worked hard to build what they have, and want their wishes to be known and followed. They perhaps are in denial of their own mortality and want to ensure that their legacy lives on.

What can families do? Encourage the family leader to create a donor intent letter or ethical will that outlines his or her wishes for the family philanthropy. Talk about ways to honor the family leader and legacy, while remaining flexible to future needs and family interests. Engage in succession planning for the family enterprise and philanthropy as early as possible to introduce these discussions in a non-threatening way.

3. Family members have different beliefs, communication or individual styles, which hinders their ability to work well together.

Families can make each other crazy with stylistic and ideological differences. Imagine a boardroom full of family members who fall across the political or religious spectrum. One adult sibling who won't stop talking, and another sibling who can hardly get a word in. A millennial who will only a respond to text messages and takes notes on a laptop. A traditionalist who has no time or patience to learn technology. Sound like an interesting meeting?

What can families do? It helps to create a common framework for communicating that can help philanthropic families focus on the good they are there to do. Practice good governance set ground rules for meetings, and remind family members why they are there in the first place. Ask family members to bring with them certain details about the organizations they are interested in supporting, and share that with the group. Create agreements for how the family will communicate about the philanthropy outside the meetings as well.

4. Family members are in active conflict with one another, and they bring their personal beefs into the boardroom.

Conflict is a natural part of all human relationships, and as a family grows and more people become involved in the philanthropy, the level of tension and competing interests can mount. Family members from different branches may have little in common, or carry personal problems or resentments that get in the way of the work.

What can families do? Start with what everyone has in common—which is the desire to give—and add some structure to it. Determine what is normal, healthy disagreement, and what is simply inappropriate. If the undercurrent of conflict overruns the philanthropy discussions, hire an outside facilitator who is skilled in family dynamics. Make sure every family member has an equal voice. Create agreements for how the family will navigate conflicts as they arise. Hire a skilled facilitator to help.

5. Family members draw nonfamily members or staff into side conversations, choosing loyalties, and other unproductive family dynamics.

In some cases, having a family office executive or staff in the room can keep family members on their best behavior. However, that's not always the case. If not careful, family staff can get sucked unaware into the undertow of family woes.

What can family staff do? Expect family conflict to come up. Know that it's not your job to fix it (nor can you fix it if you tried), however, you can help the family find the right resources to navigate it. Maintain a neutral, objective position where everyone is heard, there is no right or wrong, and everyone saves face.

Suzanne Hammer of Hammer & Associates gives family offices the tools they need to engage in and connect with their philanthropy—helping philanthropic individuals and families pair their passion with proven strategies.

To learn more, look for her forthcoming EngagedPhilanthropy™ toolkit Family Dynamics: A Family Office Guide to Meaningful Giving at SuzanneHammer.com or contact 303-319-3029. Follow @philanthrpysolut.

IS WEALTH ASSURANCE

an alternative planning structure for Russian HNWIs?

The era of global tax transparency requires a re-evaluation of the available wealth planning options. Control, asset protection, reporting and costs are the main drivers of Russian private clients. In this article, an investment portfolio in Switzerland indirectly held by a trust on behalf of the wealth owner and the same investment portfolio directly held by a wealth assurance are compared to what degree they relate to these drivers. Guidance is also given in finding the right structure, jurisdiction and providers.

Toon Meyer
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Wealth assurance; how does it work?

Wealth assurance is on the short list of planning structures of most wealth planners worldwide, but it is relatively new for Russian investors. Although wealth assurance has nothing to do with a classic life insurance, it is issued by certain life insurance companies. The client contributes the eligible assets that he or she wants to protect as a one-off premium payment, in cash or in kind, to a bespoke investment fund created by the insurance company that had opened a dedicated account at a custodian bank for the underlying assets of that particular wealth assurance. Usually, the custodian bank and the appointed investment manager are the same that held the investment portfolio before the premium transfer. This internal investment fund is exclusively linked to the client's wealth assurance. The value of the client's wealth assurance policy is equal at all times to that of the underlying internal investment fund. The insurance company has now become the Economic Beneficial Owner (EBO) of the underlying assets. In return for the premium payment, the client has a "claim" on the insurance company for the value of the underlying investment fund. He can withdraw and/or surrender at any time during his lifetime.

Control

During the term of the contract, the client/policyholder has full control over the wealth assurance but not over the assets underlying the wealth assurance. He can surrender at any time, appoint and revoke the beneficiaries by a simple registered letter, adapt the investment strategy, and pledge the policy for a loan. The client has no control over the distributions from a correctly administered irrevocable, full discretionary trust. Whenever this is not the case, the trust can be challenged and declared as a sham trust by courts both in Russia and abroad.

Asset protection

Once the Common Reporting Standard (CRS) will be effective, all wealth planning structures, including trusts and wealth assurance, will be reported. Only the best asset and investor protection regimes will then be good enough to protect the Russian clients against unjustified claims from (ex) spouses, greedy family members, (former) business partners, competitors, aggressive officials, raiders and others. The asset and investors' protection laws and regulations in several jurisdictions of wealth assurance providers offer the strongest protection available against creditors' claims and actions, against foreign public bodies' claims and actions and against bankruptcy of the insurance company and/or the custodian bank. It is the insurance company that is the only legal and beneficial owner of the underlying assets.

When the counter party can prove that there was no proper segregation of the assets in the trust and that the client continued to exercise control over these assets, the trust can be challenged successfully and the assets be seized.

Reporting

Russian residents are permitted to subscribe to a wealth assurance of a foreign provider abroad. When that wealth assurance meets the criteria to qualify as an insurance contract pursuant to Russian law and requirements, there are no self-reporting obligations for the client/policyholder in his tax declaration. In contrast, the income in the investment portfolio held indirectly by the trust needs to be reported on the client's annual income tax return.

Costs

No wealth assurance is identical to a trust; it is, therefore, difficult to compare costs. At first glance, wealth assurances may look more expensive than trusts. But the income generated by the investment portfolio under the trust is to be taxed every year at 13 percent while that same income is accumulated without income tax in the wealth assurance. Swiss stamp duty (0.15% or 0.30%) is due on every transaction in an investment portfolio under the trust while these transactions are exempt of Swiss stamp duty in a wealth assurance. In the end, it will be the client's advisor that will decide which structure is the most suitable in a particular case.

Best of both worlds

Wealth assurance is clearly a superior asset protection structure with a lot of flexibility, but the trust remains a far better management vehicle. When the stakes are high, i.e. when physical integrity, asset protection, peace of mind, estate planning are extremely important, the trust can act both as the policyholder and as the beneficiary of the wealth assurance. In some cases, the client is the policyholder, but the trust has been given limited or general powers of attorney to represent the client in case of his temporary incapacity or after his death. In other cases, the trust is appointed as beneficiary from the beginning. Bottom line, there are many options to consider once the client's advisor is also familiar with wealth assurance as a planning structure. Independent intermediary, There are three ways to mediate a wealth assurance. One; the client's advisor approaches an insurance company directly. He is probably not qualified to do that, and it is not obvious that he will identify the most suitable provider in the appropriate jurisdiction and work out the best possible deal for the client. Two; the client's advisor relies on an in-house broker of a banking group. There might be a conflict of interest since the in-house broker's allegiance is with the banking group and not with the client. Three; the client's advisor calls upon an independent intermediary, well introduced and highly experienced in the matter. Such an intermediary is not married with one insurance company in one jurisdiction. Instead, it offers the client a choice out of several companies in several jurisdictions depending on the characteristics and needs of each individual case. Furthermore, this intermediary should have a proven track record of conducting periodic sustainability and appropriateness reviews to keep the wealth assurance compliant and effective.

Conclusion

Wealth assurance is neither the only alternative planning solution nor always the best for Russian HNWIs. Sometimes, the optimal result might be achieved by combining a trust and a wealth assurance, and sometimes only by the one or the other. However, ensuring that the best planning result will be achieved, wealth assurance should be considered.

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DIVERSIFICATION: SLOWLY DYING OR STILL ALIVE?

by Sloan Smith, Vice President and Steve Karsh, Principal – Innovest Portfolio Solutions

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Given the positive equity markets in 2016, coupled with the seven-year bull market in the S&P 500 and very strong performance of investment grade bonds, some investors are challenging the value of diversification in their portfolios. With the S&P 500 up over 11% for the first nine months of the year and having generated a 15% annualized return since 2009, it has been difficult for diversified portfolios to outperform traditional benchmarks. Some may be tempted to move away from a diversified portfolio of equities, bonds and alternative investments, and invest solely in a passive equity fund.

However, there are three key components to diversification that some investors have ignored. The first is whether an equity-only portfolio satisfies the level of risk investors are willing to take based on their goals, time horizon, and tolerance for volatility. The second is that recent past performance in equity markets or any other asset class cannot be extrapolated into the future.

The third is that diversification is the only free lunch in investing, because relative to holding a single investment, diversifying across asset classes coupled with disciplined rebalancing allows investors to maintain the same level of return but at a lower level of risk.

Equity Returns versus a Diversified Portfolio

Large cap stocks have recorded positive returns every calendar year from 2009 to 2016. However, in all eight of these calendar years, large cap stocks were never the top overall performer. Large caps lost to either REITs, commodities, fixed income, international developed stocks, or small-cap stocks.

In 2008, large caps were one of the worst performing asset classes with losses of 37%. Even in that horrific year for risk assets, small caps and commodities, which have exhibited greater long-term volatility than the S&P 500 Index, had less severe losses than large caps. Also, looking further back in time from January 2000 until December 2009, the S&P 500 generated a -9.10% cumulative return. Many market observers refer to this time period as the "lost decade" for large cap stocks. A portfolio composed only of large caps has exhibited a much greater risk than is likely suitable for many investors' goals, time horizon, and tolerance for volatility. Modern Portfolio Theory defines the concept of diversification as an attempt to optimize a portfolio of assets maximizing the returns and minimizing the risks of the portfolio. This concept becomes very apparent when reviewing asset class annualized returns since 2006 as compared to a diversified portfolio. In this case, a diversified and rebalanced portfolio consists of 25% in large cap stocks, 10% in small cap stocks, 12% in international stocks, 25% in fixed income, 3% in REITs, 20% in hedge funds, and 5% in commodities.

Though the performance of a diversified portfolio from 2006 through 2015 finished behind REITs, large cap stocks, and small cap stocks, it finished only behind fixed income and hedge funds when it came to volatility. On a risk-adjusted basis, where the annualized return of the asset class is divided by the annualized volatility, a diversified portfolio had better risk-adjusted performance than all four equity sub-asset classes: large cap, small cap, international, and REITs.

Proper diversification involves owning assets that have differing risk/reward characteristics and do not move in tandem. Some assets will generate strong returns while others generate weak returns, but the overall effect should lead to a smoother ride. If you include the method of rebalancing in the diversification process where you sell some of your winners and buy some of your losers to maintain your long-term asset allocation, then you avoid portfolio drift and further minimize risk. David Swensen, Chief Investment Officer of the Yale Endowment, also found that diversification coupled with proper rebalancing can add 0.4% of return each year.

Though large caps have been strong performers since the lows of 2008, they remain subject to severe losses over market cycles. Diversification is the best solution to help dampen the severe ebbs and flows that are to be expected in single asset class investing.

Short-Term versus Long-Term Effects of a Diversified Portfolio

Financial markets wasted no time kicking off 2016 with a new stretch of volatility. The S&P 500 got off to its worst two-week start in any calendar year in history by falling 8%. If you couple this drubbing with the reaction to the Brexit referendum, when international markets where down 10% over two days, it can be challenging for investors to stay focused on their long-term strategic plan and asset allocation. Over the short-term (one to three years), correlations between asset classes may increase, losses may be significant, and patience and discipline may be severely tested. But to better understand the benefits of diversification on longer-term portfolio returns it is best to focus on the period surrounding the financial crisis from 2008 to 2009. Investors who remained in a diversified and rebalanced portfolio through the market bottom of 2009 would have recovered all of their losses in 3 years and would have more than doubled their investment by 2015. By contrast, investors who held an equity-only portfolio would have had to wait four and a half years to reach their previous peak. Turbulence in the market can come at any time, but having a diversified portfolio with clearly defined risk/reward objectives can be essential to long-term investment success.

Diversification Going Forward

The main question that investors should be focused on is what does the future hold for the financial markets? It can be argued that quantitative easing by the Federal Reserve has lowered overall market volatility and driven strong performance in bonds and large-cap equities. Over time the Federal Reserve is expected to move away from its accommodative policy, which would likely have a negative effect on bonds and force investors to look at alternative asset classes (i.e. hedge fund or real estate) for protection. With the eventual increase in interest rates and removal of quantitative easing from the financial system, volatility in the financial markets should also be expected to pick up substantially. Ultimately, investors who maintain diversified portfolios should be better suited to capture future market opportunities. They are also more likely to have a less volatile experience along the way.

Innovest Portfolio Solutions, LLC

For more than 20 years, Innovest has provided excellent client service as well as forward-looking, innovative investment solutions for endowments and foundations, retirement plans, and families. We are an independent provider of investment-related consulting services and work on a fee-only basis.

Trustus Capital Management (TCM)

ROLLS ROYCE

LUXURY LUGGAGE COLLECTION

CARBON FIBER
light weight and durable

A wide-set handle and a high-sided design, optimising the storage capability of the luggage.

THE GARMENT CARRIER
A sleek and slim-lined addition

The Garment Carrier sits seamlessly atop the Long Weekenders and Grand Tourers,

THE VERY ELEGANT WRAITH LUGGAGE COLLECTION DEMONSTRATES THE ART OF TRUE LUXURY CONVEYANCE

TIMELESS DESIGN REALISED WITH STATE-OF-THE-ART TECHNOLOGY

As the world leader in the art of true luxury conveyance, Rolls-Royce Motor Cars has extended its expertise to design a suite of elegant luggage to complement Wraith, the most powerful Rolls-Royce ever created.

The collection, conceived by Rolls-Royce Bespoke Designer Michael Bryden and designed in the Rolls-Royce Bespoke Design Studio led by Director of Design Giles Taylor, comprises two Grand Tourer valises, three Long Weekender bags and one Garment Carrier, meticulously designed to be housed in the luggage compartment of a Rolls-Royce Wraith. Like every Rolls-Royce motor car, they can be commissioned to the customer's exacting specifications.

Counsel was sought from experts accustomed to handling discerning individuals' luggage. The design team conversed with Head Butlers from some of the world's most illustrious hotels, who offered insight into the interaction between guests and their belongings. Luggage is not only seen as an expression of style, but also as a wardrobe from home, increasingly important as entrepreneurs and captains of industry adopt a more transient lifestyle.

Particular attention to detail has therefore been paid to the area that most often comes into contact with the owner, ensuring the experience is an entirely effortless one. The handles have been designed to ensure an even weight distribution, meaning no undue pressure is placed on the hand. An invisible stitch, a skill honed in the world of Haute Couture and used on the steering wheel of Wraith, has been applied to ensure a perfectly smooth and tactile finish. Reflecting all Rolls-Royce motor cars, refined visual aesthetics shroud state-of-the-art engineering. Rapid prototyping was used in the development of the Long Weekender to test the ergonomics of the handle repeatedly, ensuring the piece is effortless to carry. Subtle references to the marque can be found in the form of the discrete fastenings, which magnetically dock, providing optimum designed resistance formed from a solid billet of machine polished aerospace-grade aluminium, inspired by the silhouette of Wraith.

Michael Bryden, Rolls-Royce Bespoke Designer, commented, "The Wraith Luggage Collection consists of six pieces, each carefully considered to reflect the unparalleled design aesthetics of Rolls-Royce motor cars. The latest technologies and materials are blended with traditional crafts and techniques, leading to an elegantly executed and thoroughly contemporary luggage collection, designed exclusively for Wraith, the ultimate gentleman's gran turismo."

The distinct style of Rolls-Royce Motor Cars accompanies the discerning traveller on any epic voyage. The Spirit of Ecstasy, the flying lady figurine that has graced the bonnet of each Rolls-Royce motor car since 1911, is elegantly embossed onto the exterior of each bag.

Self-righting wheel centres featuring the Rolls-Royce double-R emblem adorn the Grand Tourer, offering a fitting reflection of Wraith itself.

BOOM XB- 1

Affordable Supersonic Flight on the Horizon

Boom Technology unveiled the XB-1 Supersonic Demonstrator, a subscale prototype of the Boom supersonic passenger airliner. On display for the first time ever at Boom's Hangar 14 at Centennial Airport, the XB-1, nicknamed "Baby Boom," will be unveiled this evening at an exclusive VIP event for airline and aerospace executives and media. The XB-1 is the world's fastest civil aircraft ever made, and it will demonstrate in flight the key technologies for affordable supersonic travel.

"60 years after the dawn of the jet age, we're still flying at 1960s speeds," said Blake Scholl, chief executive officer and founder of Boom. "Concorde's designers didn't have the technology for affordable supersonic travel, but now we do. Today, we're proud to unveil our first aircraft as we look forward to the first flight late next year."

The First flight of the XB-1 is planned for late 2017. The subsonic flight test will be conducted east of Denver; supersonic test flights will be conducted near Edwards Air Force Base in Southern California, in partnership with Virgin Galactic's The Spaceship Company. The XB-1 is a technically representative ⅓-scale version of the production Boom airliner.

"I have long been passionate about aerospace innovation and the development of high-speed commercial flights," said Richard Branson, founder of Virgin Group. "As an innovator in the space, Virgin Galactic's decision to work with Boom was an easy one. We're excited to have an option on Boom's first ten airframes. Through Virgin Galactic's manufacturing arm, The Spaceship Company, we will provide engineering and manufacturing services, along with flight test support and operations as part of our shared ambitions."

"The Boom airliner will be a core part of the intercontinental airline fleet," said Mike Boyd, Boyd Group International. "Travellers are hungry for faster flights and airlines will be excited for a differentiated and profitable option for their premium travellers."

Boom's Leading Design Team Making Supersonic Possible Formerly of NASA, SpaceX and Boeing, Boom brought together the top minds in aviation to build its modern supersonic passenger airliner. Learning from the Concorde, they combined advanced aerodynamics, efficient engine technology and new composite materials to power a safe and affordable supersonic aircraft 2.6x faster than current jetliners.

The product of over 1,000 simulated wind tunnel tests, Boom's tri-jet design, features a refined delta wing, a gracefully tapered carbon fibre fuselage, and efficient turbofan jet engines. Unlike Concorde, the Boom design requires no afterburner, significantly improving fuel economy.

www.boomsupersonic.com

THE KEY OF THE CRAFT

LUXURY SAFES BY DÖTTLING

by Nicholas Thompson

In the picturesque southern German town of Sindelfingen, just a short drive from Stuttgart, fine artisanal craftsmanship is still thriving. Here, veritable treasure chests are made using age-old tradition and elaborate practices for discerning clients ranging from royalty to celebrities looking not just to store their most valuable possessions, but to display their power and status.

Döttling's story is steeped in history. With humble beginnings as nothing more than a locksmith shop in 1919, the company has stood the test of time, passed down through four generations. Today, the brand is helmed by Andreas K. Schlittenhardt, who has transformed the business into the leading global manufacturer of luxury safes. "We were filling a gap in the market," explains Andreas. "We started out restoring antique safes until many of our clients began asking us if we could make products that met modern security standards."

No luxury has been spared in the process of creating their own elaborate security devices. For each step of the production process, Döttling employs skilled artisans, ranging from restorers and smiths to leather workers, painters and security specialists, who meticulously build their impressive safes by hand, each a bespoke masterpiece designed with the client's specifications and requirements in mind. From fully integrated watch winders to keep timepieces ticking to humidors providing the ideal storage conditions for cigars, there are few limits to what can be done to one of Döttling's safes. "Our clients are used to driving the most luxurious cars, living in lavish homes – and yet each time they get to unveil their safe, it's like watching a small child on Christmas morning," boasts Andreas. Each safe goes through an arduous production process utilising the teams' knowledge of traditional crafting techniques. Some are upholstered in supple leathers, such as the Liberty Barcelona, inspired by Ludwig Mies van der Rohe's iconic Barcelona chair. Others are gilded with 24-karat gold leaf fittings or plated in chrome. Each is a work of art in its own right. "We are very proud of the work we do."

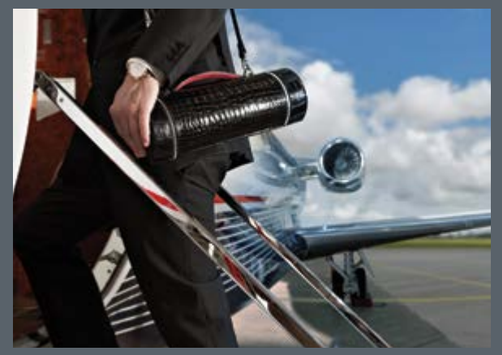
Innovation is at the cornerstone of the Döttling brand, with an impressive product list in tow, such as the limited Narcissus model, the result of a unique collaboration with none other than the fashion tycoon Karl Lagerfeld. In 2013, Döttling released its Guardian line – a unique portable vault enabling easy mobility. This compact cylinder-like piece of luggage proves looks can be deceiving: behind the calf leather exterior is a nigh-impenetrable fortress of metal and military-grade polycarbonate. Safety is paramount to every safe, with state-of-the-art security features like fingerprint recognition and GPS tracking available. The Fortress safe, billed the safest luxury safe on the market, provides certified insurance coverage of up to USD 1,000,000. The price range is vast, largely dependent on the individual specifications of the client.

To meet a growing demand for larger safety facilities in private residences, Döttling has developed their custom Collector Rooms. Clients can choose to either create their own private safe room, which is secured and alarmed with an interior of vitrines and display furniture or to integrate high-security safes into the existing interior of a non-secure space. Client involvement is key in creating these bespoke solutions, as is the input of an interior designer, who assists from the first step to ensure the utmost perfection. Even the most discerning client is left with no desires unfulfilled – materials available range from exotic leathers and rare wood to mother of pearl and gold.

Andreas' favourite pieces are still the one-of-a-kind antique safes, which have been suitably dubbed as the Legends series. Many of the safes come from private homes or royal households from around the world, from a mid-19th century Napoleonic coffre-fort to a work commissioned by the Medici in the 18th century. "We love to break into locked safes – ones with keys that have been lost over the years," grins Andreas mischievously. "It's a lot of fun more-or-less acting like a burglar." But it's no easy task to break into the safes. Many of them have hidden keyholes, and it is a cumbersome process to replicate centuries-old keys.

Quality, fine German craftsmanship and precision go into every step of Döttling's manufacturing process. The brand's innovative spirit and desire to push boundaries endures, resulting in stunning works of art that will be treasured for generations. One thing is certain: Döttling safes are often as rare and as valuable as the contents they protect.

www.doettling.com



KEEPING WEALTH IN THE FAMILY

What do Abraham Lincoln, Pablo Picasso, Jimi Hendrix and Stieg Larsson have in common? They all died intestate. Despite hard-working, and in some cases hard-living, careers, none had put in place measures to protect their accumulated wealth and ensure it was passed on to those they cared about.

Their stories highlight the often-disastrous impact of not having a comprehensive financial plan in place. Not only can it mean that accumulated family wealth is dissipated, but it can also cause irreparable family rifts and cause those who should have been beneficiaries to miss out.

Picasso left a fortune in artwork, homes, gold, cash and bonds, but had done little lifetime planning and had not written a Will. The battle to settle his estate took six years and cost $30 million. The fight over Jimi Hendrix's estate continued for more than 30 years after his death, and the royalties that kept accruing caused further complications.

Perhaps the most tragic case is that of Stieg Larsson, author of The Girl with the Dragon Tattoo. He had lived with his partner, Eva Gabrielsson, for 32 years. Having failed to make arrangements during his lifetime to provide for her in the event of his death, Swedish law dictated that his estate should be divided between his estranged father and brother. Similar rules apply in the UK, where unmarried couples have no absolute rights to inherit if their partner dies intestate.

More than a Will: the importance of advice

A Will alone may not be enough to protect assets for future generations; detailed succession planning is also essential. That includes planning how you want your assets to be used, determining who you want to benefit from them - and putting in place structures to protect your wealth and ensure these goals can be achieved.
Most of us would like the wealth we have created to benefit future generations of the family, not just immediate children; perhaps by providing funds for education, a deposit for a first home, or capital to establish a new business. No matter how wealthy you are, achieving these goals is not guaranteed without careful planning.

Alexandra Loydon
Private Client Division
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And there are a number of risks that can prevent those plans becoming a reality. The Chinese say that the first generation works hard to build family wealth, the second generation reaps the benefit and the third generation squanders it. Nowadays, increased materialism has speeded up the process, and wealth is often dissipated by the second generation.

But spending is not the only risk: tax, divorce, and poor financial decisions by beneficiaries can also all have a big impact. Inheritance Tax, levied at 40% over the nil-rate band, is a major threat to any legacy for loved ones. (The nil-rate band is currently set at £325,000, although this will be increased from April 2017 where certain criteria are met.)

But the divorce of beneficiaries can be more damaging, and may mean the loss of half their wealth. You can protect inherited wealth from divorce settlements, but it needs careful planning and expert advice. Without this, divorce can significantly deplete family wealth and may force the sale of assets that have been in the family for generations. Subsequent marriages can also introduce new members to the family- such as step-children and step-grandchildren - who may also need to be provided for.

Other threats might be, for example, a family business falling on hard times, or the next generation mismanaging an inheritance. So it is essential to build a flexible plan for the future, to ensure that assets are preserved and protected until the next generation is old enough and wise enough to manage the family estate themselves.

Structured Solutions

Wealth should provide reassurance, not cause worry. With careful planning, advice and the right Will, you can not only minimise taxation through available allowances, exemptions and reliefs, but also ensure the protection of funds to benefit a family for decades to come. Trusts still play a major role in succession planning, although they must be properly structured and need not be the only consideration. There are other investment solutions and planning methods available.

Every day St. James's Place works with families with differing needs, but one thing most families share is the desire to do the best for themselves and their successors. The impact of taking no action can be devastating. So take advice, make a plan and leave a legacy. Don't let your family wealth fall into the hands of those you have not chosen.

The levels and bases of taxation, and reliefs from taxation can change at any time. The value of any tax relief depends on individual circumstances.

Will writing involves the referral to a service that is separate and distinct to those offered by St. James's Place. Wills and trusts are not regulated by the Financial Conduct Authority.

THROUGH THE DIN

Philip Watson, Head of Global Investment Lab, Citi Private Bank. The Global Investment Lab is a unique team dedicated to helping Family Offices better understand their investment portfolios – supporting their needs in areas such as portfolio construction, asset allocation, risk management and investment strategy.

Philip Watson
Citi Private Bank

Family offices require simple and cost effective solutions for their diverse day-to-day challenges. One area of concern that surfaces all too frequently is the question of how to best manage portfolios of disparate assets. These are frequently advised by a collection of third party providers, all with different custody arrangements and advisors.

Bringing the Contours of the Hill into Sight

On the surface, the inherent diversification within the multi-custodian and multi-advisor model appears to satisfy many. However, the challenges this places on family offices often outweigh the benefits. It is not uncommon for a family office to be managing five or more banking relationships, with hundreds – or thousands - of positions of negligible size within the overall portfolio. While the original premise was to diversify risk, the unintended consequence is a heavily diluted and unwieldy portfolio. This leads to portfolio inertia: even strongest performing assets end up contributing very little. Moreover, the practical realities of combining investment oversight with administrative governance - multiple statements, different vehicles, myopic (possibly conflicting) advice - can lead to an overall absence of clarity on the big picture. These requirements - with their associated cost and time pressures - are akin to juggling balls: the situation is manageable until it isn't! Bringing the contours of the hill into sight before taking the journey up is a critical step. Once that lens is in place, the family office can focus on making holistic, objective and proactive decisions.

Risk - What Really Matters?

2015 has been a year abundant with mini "crises", most recently a global growth panic, a Greek debt crisis, and the US slowdown at the start of the year. The tension in the Crimea seems like an age ago. Family offices have needed to navigate these – and more so, their effect on investment portfolios. Living through the moment is one approach. Another has been for family offices to cross proactively examine and stress the portfolio to identify potential sensitivities: Unravelling risks inherent in a portfolio, fathoming the outliers, and distinguishing the likely from the probable. Irrespective of risk profile, this approach works for many for the way that it not only identifies the risk but helps quantify them about others. The old truism 'investors chase returns, not asset classes' continues to apply today with a noticeable absence of cult in any asset class. Family offices are adept to deploying capital across the cycle dynamically – both by asset classes and product type. In this environment, however, it is the underlying risk dynamic that is important, and while solutions change, the underlying risk may end up remaining static. Perhaps amending the adage to "investors acquire risks, not asset classes" may be more appropriate. Throwing water on conventional approaches, family offices need an approach that cross-examines their portfolios in an alternative way: linking consequences to implications.

The modern investor seeks to classify risks as exposure factors that identify what is driving returns. This factor analysis, as the name suggests, applies complex mathematics to categorise a portfolio into a set of actionable factors. By way of example, these factors might include macro factors such as US industrial production, specific market (e.g., Latin American equities), or factors such as "valuations". Identifying which factors a portfolio is sensitive to (out of literally hundreds of potential ones) can help guide a family office on the key drivers of return and isolate potential duplications in risk.

This additional information is also vital in identifying the right solution. With the result being that family, offices can make a better-informed decision on whether to hedge or diversify current portfolio positions. Such detailed analysis also provides assurance to the family office that investment exposures are indeed intended.

Across the world, we are seeing increasing need for factor analysis among family office clients. Take the recent case of a Latin American family office that managed over $500 million, predominantly comprised of a handful of strategic companies. Their concern was how to design a complementary portfolio without duplicating existing risks. In another case, we dissected the investment portfolio of a Northern European family office that managed more than $500 million. Our analysis found that 54% of overall risk was concentrated on Western European market returns, despite its initially diversified geographical appearance.

On other occasions, the driver for running factor analysis is an initial concern regarding a specific risk. One family office based in South East Asia expressed concern of interest rate and currency risk within their portfolio. The findings of the analysis led to a "right – sized" solution that was tailored to hedge these particular risks. For these examples and so many more, the family office needs are unique. The challenges they face, however, run in parallel.

Risk Management Takes Disparate Forms

Risk management remains a core part of the family office day to day. At this stage in the business cycle especially, family offices are increasingly seeking solutions for downside risk management and refining their approach to risk management.

Among the most prominent trends is a deliberate shift to redefine the purpose of portfolios from 'benchmark orientation' to an outcome-based solution. In turn, this has raised the prominence of an absolute return strategies - including hedge funds - as invaluable sources of risk-adjusted contributors rather than solely alpha. Family offices are also increasingly deploying well-defined segregation strategies that result in separate pools of capital run to different mandates. This may be by asset class, risk, motivation (e.g. pre-defined level of income) or exposure groups. This brings the 'contours of the hills' back into sight and is especially relevant for family office portfolios that are often unbalanced in risk due to concentrations in family businesses.

Finally, raising the overall governance level from the very outset through strong investment guidelines with clear accountability has been the solution for others. This process, though involved, ensures all parties including all third party managers – are in sync from the beginning. While the exercise is non-trivial - this practice can be supported in a variety of ways through some tools and capabilities.

In the end, these developments in managing disparate assets amount to an end state of preparedness. Family offices want to make informed decisions - with expert advice that transforms such complexities into simple, digestible solutions. And while no one has a crystal ball, time and again, we have seen that it is the most progressive and adaptive family offices that succeed.

MARGARET RAND

"101 WINES TO TRY BEFORE YOU DIE"

What makes a wine remarkable? It's a question that preoccupies everyone concerned with wine, and it's not always enough to say 'I know it when I taste it'.

It was the question I had to answer 101 times in putting together this book. It would be easy enough to make a list of 101 extremely expensive wines, or 101 very famous wines; but I wanted 101 remarkable wines. They had to have something particular to say; something that revealed a facet of their region, or their vineyard, or perhaps something unexpected about wine itself. For example, you wouldn't necessarily expect a skin-fermented white wine, a so-called orange wine (Clai, from Sveti Jakov in Croatia, since you ask), with all the cooler-than-thou hipster connotations that come trailing in its wake, to be so obliging with so many varied and un-hipsterish foods. Orange wines don't taste of fruit: it's a reminder that wine that tastes of wine can be far more interesting than wine that tastes of peaches or blackcurrants.

All the wines in this book have given me great pleasure whenever I've had the chance to taste them. If they have something in common, it is precision. I like accuracy, balance, poise. I don't like overripeness, I don't like over-extraction and I don't like over-oaking. I love freshness, I love acidity, and I love a sense of authenticity. This last is difficult to explain but is to do with a sense of risk, a sense of individuality – a sense of place, yes, but also a feeling of energy. It is the opposite of the safe, the industrial, the reliably crowd-pleasing.

So here's another facet of what makes a wine remarkable: a sense of risk. Some wines give you the feeling of walking a tightrope, with a disaster waiting on both sides. When I jot down 'man on wire' in a tasting note, that's what I mean. There can be tension in the structure of a wine, a sense of something tightly wound. Riesling is the obvious example: whether it's dry or sweet, from Germany or Austria or Alsace or anywhere else, Riesling is about tension before it's about anything else. A quite simple Riesling, like

Margaret Rand
Writer

Schloss Saarstein's Riesling Kabinett, from a rocky, windy site in Germany's Saar Valley, is taut as piano wire. An Oregon example (you're right, there's not much Riesling in Oregon, but there is this one) – Off The Grid Riesling from Ovum - is both filigree and tightly resilient.

This lightness with power is at the heart of what makes a wine remarkable. The winemaker of Cristal from Champagne Roederer describes this paradox as 'weightless weight': it's when a wine has concentration, tension, depth and substance, and yet it dances. It's a rare attribute: it's more usual for a wine to wear its concentration and its power with showiness as if these things were ends in themselves. Any wine can be concentrated; any wine can be powerful. It's the easiest thing in the world. So what?

There's a word that always comes to mind when I'm looking for remarkable wines, and that's 'transparency'. I want to be able to see right through the layers of a wine, in the same way that one sees through a clear river, in great detail, to the stones beneath. Power for its own sake, over-extraction, over-oaking, give the opposite: they give opacity, a blank wall that you must fight your way through. Pinot Noir from Burgundy is the epitome of transparency, or should be: take La Romanée, from Domaine du Comte Liger-Belair. It's a wine of invisible density, of penetrating intensity, yet you can see straight into its heart. There's nothing overdone to get in the way: it's transparent.

Weight for its own sake is, at last, going out of fashion. In California's Napa Valley, Inglenook was an early adopter of the new style, and its red Rubicon, 100% Cabernet Sauvignon from Rutherford, was already moving towards elegance and finesse by 2011, when Philippe Bascaules, ex-Château Margaux, was appointed winemaker. California can do big, muscular wines very well (Harlan red, for example, or Ridge Geyserville) but too often it has mistaken bodybuilding for balance. Fashion is gradually putting that right.

Not that fashion has all the answers. Take natural wines. They're the most divisive thing in wine at the moment. If you're under 30, you probably love them, particularly if you have a beard. If you're over 40, you may be snorting with annoyance at this very moment.

What are natural wines? Since there's no real definition they can be almost what you want, but they will probably be made in a non-interventionist way, possibly in clay amphorae, possibly in concrete egg-shaped (another fashionista accessory), and with little or no sulphur, and the vineyards will be worked organically or biodynamically. (Biodynamism being the creed based on Rudolf Steiner, which uses all sorts of plant and animal infusions applied in tune with the movement of the planets.) Organic farming isn't controversial, and biodynamism can be but is pretty mainstream now. What is divisive is natural wines' rejection of the squeaky-clean technology that over the last 40 years has made clean, reliable, fruity, fault-free wine – yes, industrial wine - available at remarkably low prices. Natural wines can be brilliant – and I include several (including Clai, mentioned above, and Le Natural Reposado Garnacha from Vintae in Spain) but they can also be funky, cidery, beery, cloudy... If you're a real hipster, you like all that. The rest of us find it more difficult.

But what's really easy to love is wine fermented with indigenous yeasts – or wild yeasts, or whatever you want to call them. Not laboratory yeasts that come in a packet, in other words. You leave the grapes to get on with fermenting in their own good time. It's risky: you get a much wider population of different yeast species working on the grape sugars to turn them into alcohol, and you can't be completely certain what the final result will be. When it's good, though, you get wines with more mineral tension, with a greater sense of the vineyard, and with less obvious fruit flavours; less clear-cut notes of peach or apple or plum. Dirk Niepoort, in Portugal's Douro Valley, makes his Tiara Branco this way; so does AA Badenhorst with its Red Blend from South Africa; so does Pedro Parra with his red Pencopolitano from Chile; so does Michel Chapoutier with his white L'Ermite Blanc Ermitage from France's Rhône Valley.

Which is where we came in: wine that tastes of wine rather than a supermarket fruit department. I accept that describing a wine as tasting of wine is not incredibly helpful. But all I can say is: try some of these 101 wines. You might end up knowing exactly what I mean.

Margaret Rand is a well-known wine writer who has won many awards, most recently the prestigious Louis Roederer International Wine Feature Writer of the Year Award in 2013. She writes and tastes for Decanter, World of Fine Wine, Square Meal and Drinks Business, as well as judging at international wine shows. She has previously edited Wine Magazine, Wine & Spirit and Whisky Magazine. She is also co-author with Oz Clarke of Grapes & Wines, published by Pavilion.

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VINTAGE 1966 - FIFTY YEARS IN THE MAKING

THE GLENLIVET WINCHESTER COLLECTION

EACH PRECIOUS BOTTLE IS PRICED AT £20,000....

THE GLENLIVET WHISKY

The Glenlivet has released the second edition in its series of rarefied 50-year-old single malt whiskies: The Glenlivet Winchester Collection Vintage 1966. With just 100 bottles available Vintage 1966 joins Vintage 1964 to become one of the most sought after whisky collections in the world. Each precious bottle is priced at £20,000, with Harrods as one global stockist of the highly anticipated liquid history.

Each release is an extraordinary time capsule authored and laid down in 1966, in an exceptionally high-quality sherry cask, by The Glenlivet Master Distiller, Robert Arthur. The whisky has been carefully nurtured throughout the decades while the world has changed around it: a world where England was victorious in the World Cup and the Beatles were, according to John Lennon, 'bigger than Jesus'. Mankind took its first steps on the moon; the Berlin wall came down, and the world was introduced to the invention of the personal computer and mobile phone.

All the while, The Glenlivet Winchester Collection Vintage 1966 was safeguarded at The Glenlivet Distillery, maturing and attaining greater complexity to become one of the rarest whiskies in the world. Today's Master Distiller Alan Winchester recognised that the rare single malt had reached the peak of maturation this year and the time was right to release the second Vintage to build The Glenlivet Winchester Collection that fittingly takes his name. ''Casks of this age and quality are such a rare thing these days, that the resulting liquid is literally history in a glass,'' explains Alan.

Vintage 1966 was identified early on as being destined for greater things and has since been slowly and steadily developing the signature flavours that make The Glenlivet an enduring benchmark of quality. The palate is gratified with the release of candied, sumptuous soft fruits, sweet treacle and juicy orange, layered by delicate spice – a teasing intermingling of cinnamon and liquorice. The finish is exceptionally long, smooth, with a pleasing hint of dryness. The subtle, exotic spice set in relief against the soft sweetness is just one of the elements that differentiate it from the Winchester Collection's inaugural Vintage 1964. The 21st October 2016 marked another historical event as Christie's New York staged a unique auction comprising Alan Winchester's own personal bottle of The Glenlivet Winchester Collection Vintage 1966, alongside the opportunity to lay down Vintage 2016 to be enjoyed in 50 years' time. The auction raised an astonishing $31,850, making it the joint highest selling whisky lot this decade (2010 onwards) and Alan chose the UK Crafts Council charity as the beneficiary of the sale.

Generations of craft

Generations of craftsmanship – past and future - are inherent to The Glenlivet Winchester Collection story and its Master Distiller was keen to facilitate a donation to help safeguard and promote excellence in this field. The money will be purposed to the Crafts Council's A Future Made programme – a new international platform for British makers at the world's most prestigious design fairs.

Glass sculptor Joseph Harrington is one of the first beneficiaries – he was able to showcase a piece entitled Angels' Share in Miami at A Future Made installation that coincided with Design Miami. The piece uses Harrington's unique 'Lost Ice Process' - whereby he creates casts for glass from melting ice, using salts to enhance and guide the erosion process - and evokes the elemental passing of time. It is designed to echo the attributes, provenance and dimensions of The Glenlivet Winchester Collection Vintage 1966.

Every element of the Vintage 1966 collectable has also been handcrafted. Brodie Nairn, of acclaimed studio Glasstorm, was commissioned by The Glenlivet to produce the hand blown glass bottle that pays homage to The Glenlivet's Gaelic translation: 'Valley of the Smooth Flowing One', with elegant lines lending gentle movement to the sculpted glass. The glass is also delicately hand painted in gold and sealed with a precious, bespoke gold stopper by designer silversmith Richard Fox. The stunning stopper is set with a smoky quartz Cairngorm Stone - specially selected to echo the richly dark liquid of Vintage 1966. While esteemed, award-winning wood craftsman, John Galvin made the luxurious dark cherry wood cabinet that houses the whisky. Each cabinet, lined in leather, took 60 hours to create by hand and over 100 intricate processes were deployed in its crafting. The entire piece is a roll call of the finest British makers working today with each timeless material and finish chosen to reflect and honour the precious liquid stored inside.

Alan Winchester

Alan Winchester said ''I'm immensely proud to release this wonderful whisky, and to have also make a small contribution to the future of talented artisans via the sale of my own Master Distiller's bottle of Vintage 1966".

The Glenlivet Winchester Collection Vintage 1966, Information - please visit www.theglenlivet.com.

THE MARKET IS ALREADY EXCITED ABOUT THE...

PERSHING 140

PERSHING A BRAND OF THE FERRETTI GROUP

The Pershing Flagship

The Pershing experience means living, yachting and dazzling at faster than average speed.

Thus, the Ferretti Group is already announcing the sale of its first Pershing 140, three years ahead of its actual launch scheduled for 2018 and exactly a year since the project was officially announced at the Monaco Yacht Show 2015.

The new flagship of the fleet, the first to be built in light alloy, won the heart of a yacht owner from continental Europe who, like every Pershing enthusiast, has been seduced by its sporty, powerful lines and many innovative on-board features as well as its outstanding perfo rmance at every level l.

"The news of the sale of the first Pershing 140 makes us happy and proud for many different reasons - commented Mr Alberto Galassi, Ferretti Group Chief Executive Officer. This new flagship shows that Pershing has entered a new era of design and construction, combining the drive for innovation, written into its DNA from birth, with the know-how gained during 30 years of being on the cutting edge. This sale is also the strongest confirmation of the success of the growth and development strategies for Pershing, Riva and Custom Line in the super yachts division.

A booming market on which the iconic brands are achieving brilliant commercial successes.

This is why we have invested heavily and will continue to invest in the Ancona shipyard, a dedicated centre of industrial excellence for the production of CRN, Riva, Custom Line and Pershing super and mega yachts. The new 140-foot yacht will be entirely built at this facility."

Pershing 140 is born from the collaboration between the Ferretti Group's Product Strategy Committee, its Engineering Department and the architect Fulvia De Simoni. It features ultra-sleek lines to match the brand's sporty spirit, which brings to mind the exterior of coupe cars, underscoring the racing character always so popular with Pershing yacht owners.

Besides, its profile is enriched by several design elements, some entirely new and others displaying a family feeling with the brand's latest models.
The first Pershing 140 will be fitted with four MTU M94 engines, 2600 HP each, enabling a top speed of 38 knots (preliminary data).

Two alternative configurations are also available, both equipped with MTU 4000 M93L engines, 12V (for 3460 HP) or 16V (for 4613 HP). Thanks to the hydrojet drive, the new flagship will achieve top performances at cruising speeds, including at maximum speed, which can reach up to 24 knots with the 12V MTU, and up to 33 knots with the more powerful engines (preliminary data).

www.pershing-yacht.com

USING YOUR PROFESSIONAL RECRUITMENT CONSULTANT

FOR FAMILY OFFICES AND HNWI'S

Your people are your greatest asset but getting the best person can be problematic.

Hiring for a Family Office has unique issues especially when it is a single family office. So often, the "safe" route is chosen, that is, hire someone already known to the CEO, a family member or a third party advisor. This method has some merits, but it can cause more problems than it solves. The alternative is to hire a recruitment professional and get a broader picture and very likely, a better appointee. However, where to start?

There is an extraordinary number of Consultants (head-hunters) who claim to be expert in private banking, wealth management and/or family office recruitment but the extent of the knowledge and the longevity of experience is very variable. So, how to select who is right for your Family Office?

Finding the Right Consultant:
Recommendation, market research, or a mixture of the two, should give you a good idea who is available and who has a track-record of expertise, knowledge and confidentiality (the latter must not be overlooked). Meet and talk with the people that have been recommended and based on the meeting and the conversation, choose the one that has the best understanding of what you are looking for from a technical perspective and is also someone that you want to work with.

When you appoint them as your Consultant, they will be representing you and your Family Office, so you need to be entirely comfortable with their skills and personality. Having selected your Consultant, it is important that you brief them as well as you possibly can. You may have drawn up a formal job description and personal profile for the candidates. Share this

Dudley Edmunds
Culliford Edmunds Associates

with your recruiter but be open- minded and be prepared to consider and where applicable, accept their ideas and thoughts.

It is at this stage that you should also agree on terms with your Consultant.
The key factor in ensuring success, for all involved, is establishing an excellent rapport and understanding with your Consultant. He or she is there to ensure an end result that will be to the satisfaction of you, the appointee and themselves. This can best be gained by mutual trust and understanding. Agree on the final job specification and person profile and keep accurate notes of the issues raised in your initial meetings.

During the search process, you should expect regular updates from your Consultant and it is important to keep in touch. However, the first part of the search can be very time intensive, so please give them a chance to get on with the initial work. Your Consultant will present you with a short-list of potential candidates that match the agreed specification and profile. Sit down with your recruiter and go through the CVs and backgrounds of those that have been chosen.

Pay careful attention to your Consultant's observations and comments and give them the opportunity to explain their choice. It will be your decision as to how many of the short-list you chose to meet; it may be all of them or just those that you think are the closest match. This is the time to check whether your preferences accord with those of your recruiter.

Once you have decided on your short-list, then leave your Consultant to make the interview arrangements. It will be a good idea to ask your PA to liaise with your Consultant (unless, of course, you keep your own diary) as booking dates and times can get somewhat protracted. This is also another "marker" as to how good your Consultant is, as this should be a smooth process.

It is your choice as to whether you want your Consultant to sit in on the initial interviews. Some people do, some people don't. If you have not got a dedicated HR person it can be useful to have the Consultant there and they can help guide you through the interview process, help clarify important points and generally add back-up to the process.

Work with your Consultant in making your choice of candidate to appoint. If you don't think that the right person is there, then be very objective when explaining why but, don't leave out the subjectivity as that can be a critical factor in a smaller operation.

Making an Offer:
Involve your Consultant as much as you want during the early stages. You may wish to convey the offer to the chosen candidate yourself or ask your Consultant to do it. Both have plus and minus points, and my advice is that you decide your approach with the help of your Consultant. Use your Consultant to sort out any initial questions or issues. They should have already advised you as to whether what you have in mind is likely to secure the candidate of your choice. Do not fall into the idea that your Consultant will bid the package up to increase their own fee: It is never to their advantage to do so.

The important thing to remember is that your Consultant is your professional friend, advisor and confidant. If you don't trust them in those roles then you have made the wrong decision! Use their expertise and knowledge and let them run as much of the process as you can. I have had very well established clients ask me to write the job and person specifications and simply present them with my choice of candidate (I always give two reserves!). The process always works well when there are mutual trust and respect and that, really, sums up the relationship you need to establish and preserve.

Key Points:

- Do your homework on Consultant selection
- Put real thought and care into the job description and personal profile and be prepared for some compromise
- Agree fees and time scales with your chosen Consultant
- Work with them to ensure the best outcome for your Family Office
- Your people are your greatest asset: choose wisely!

Dudley Edmunds is a veteran in global financial markets recruitment. His speciality is wealth management, private banking and Family Office. He now works as an independent Consultant but has associates in France, Singapore and Switzerland. His works very closely with his clients whether it be on a start-up or the hire of a senior executive.

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The Off Market Property Portal and Network

ULTRA PRIMUS

SPECIAL PERMISSIONS FOR RE-DISTRIBUTING THIS ARTICLE ARE NEEDED, CONTACT US

A discreet marketing solution for HNW advisors..

Ultra Primus announced the launch of a members-only service enabling the sale of off-market residential properties.

Catering to those owners who seek to sell their property in a discreet yet efficient manner, the service will enable property intermediaries and advisors of High Net Worth/ Ultra High Net Worth individuals to notify other relevant individuals and companies about their off-market listings whilst: retaining full control over the amount of property information disclosed, respecting their client's request for privacy and; ensuring that a 'digital footprint' of the listing is not created. Art Jenkins, director of Ultra Primus, commented "Having partnered with luxury brands including Rolls Royce and Parmigiani Fleurier on our recent property events, we were increasingly being contacted by buying agents, selling agents and other property intermediaries regarding their off-market properties. We know that the process of selling or sourcing off-market property is unnecessarily laborious and felt there was clearly a way to ensure that property 'listing' remains confidential while also efficiently allowing a larger relevant audience to enquire about said property.

Having received input from people working in the off-market sector, we are now delighted to launch this service and have already received considerable interest from companies and individuals representing luxury off-market properties from around the world.

Remarking on the scale of the opportunity, Art noted "we expect to become the focal point for what is already an attractively sized market, however, we also believe that by making these transactions more efficient, we will be able to grow the size of this niche overall. The motivations for selling off-market are numerous including privacy for high-profile owners, pre-marketing a new development, divorce, not wishing to notify neighbours and eliminating the 'digital footprint' created by an 'on-market' listing. Thus many more properties could be sold in this, more discreet, manner if property owners knew there was an efficient mechanism for their advisors and agents to use. While current methods - relying on professional and personal networks - do produce some results, they mainly focus on the seller's requirement for discretion while not necessarily being efficient or making enough relevant buyers aware of the property's availability. We would, therefore, describe our service as a significant enhancement to the current marketplace. Crucially, as a portal, we do not charge a percentage commission - simply a low, per-property fee (with no on-going costs) - and this further simplifies the transaction process for the representatives of both the buyer and seller".

Whilst the focus of the service will be luxury residential properties (including; city townhouses, apartments/ penthouses, country estates, vineyards & equestrian holdings) we also encourage other property listings if relevant to HNW and UHNW buyers, including residential investment portfolios and boutique hotels.

About Ultra Primus

Publisher of the world's most exclusive property magazine and organiser of some property showcase events including in Wentworth Woodhouse (UK's largest private residence) and Amazon Property's £10m Pall Mall penthouse, Ultra Primus is focused on exceptional properties. After being approached about numerous off-market properties – from listed London townhouses to boutique hotels on Capri – the company now operates a members-only, off market property portal.

What is 'off-market' property? 'Off market property' describes a property which is offered for sale in a discreet manner with no public advertising. Although there are various definitions of 'off-market' (ranging from complete discretion through to simply ensuring that a listing is not publicly available online), the Ultra Primus off-market platform ensures that all types of off-market property can be accommodated by giving full control over information disclosure to the representative of each property.

Elena Reva, LH Developments
host of a recent Ultra Primus event in London

Art Jenkins,
Ultra Primus CEO

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LITIGATION FINANCE ATTRACTING FAMILY OFFICE INVESTORS

In a world of over-inflated asset prices driven by near-free debt, some investors are on the edge of their seats with respect to what the future holds for their portfolios. This tension has resulted in investors looking toward more esoteric asset classes which are not correlated to the financial markets. As an example, university endowments, who have traditionally been forward looking investors in the alternative asset sector, are looking at the maturity of the private equity space and reducing their allocations therein in favour of investing in non-traditional alternative asset classes such as insurance driven strategies, intellectual property royalties and litigation finance.

The interest in the litigation finance asset class is twofold: non-correlation and inefficiency. As you can imagine, the outcome of a piece of litigation is idiosyncratic to the litigation itself and is generally not influenced by other external factors and hence the value is not dependent on external factors or the performance of the financial markets. Accordingly, the asset class is viewed as one of the least correlated asset classes available to investors.

" Average annual increase in tort costs from 1951 – 2009 was 8.7% "
The Evolution of Litigation & Risk Management: a 50-year Retrospective, Chartis 2011

The asset class is also relatively inefficient (i.e. demand is greater than supply) because the opportunity to invest in litigation finance only presented itself in the last two decades, depending on the jurisdiction. Prior to that, in most English common law jurisdictions, old common law doctrines of champerty and maintenance prevented a third party from profiting from another party's litigation. However, as justice systems grapple with increasing litigation costs, the global trend has been toward improving access to justice through the use of third-party litigation finance.

Edward Truant
Balmoral Wood Litigation Finance

Litigation Finance Basics
In essence, litigation finance involves veteran litigators (typically former litigation partners at large law firms), who work for the litigation finance manager and underwrite an investment in a particular piece of litigation. Their underwriting process typically focuses on the following case attributes:

(i) merits of the plaintiff's case,
(ii) plaintiff's legal representation,
(iii) defendant's settlement history,
(iv) defendant's legal representation,
(v) jurisdictional considerations, and
(vi) collection risk.

Once the litigation funder determines that the probability-weighted outcome of a piece of litigation is compelling, the litigation funder provides a commitment (non-recourse in nature) to fund the litigation, typically pursuant to funding milestones, in exchange for a share of the ultimate proceeds derived from settlement or a court/arbitration award. The asset class has been described as an 'option on an instalment plan' because funds are slowly invested, in 'installments', to support the case. The litigation funder can react as more information is received about the case and ultimately is able to withdraw from the case if the situation changes from that which was originally underwritten. This level of optionality has made the asset class attractive to hedge fund managers.

"Litigation funding is the life-blood of the justice system. It helps maintain
our society as an inclusive one."
Lord Neuberger, President of the U.K. Supreme Court

Australia was an early adopter of litigation finance, followed by the UK and USA. Today, there are several other countries whose judiciary supports the use of litigation finance and the global trend is toward increasing the use of litigation finance, although it remains a niche asset class in terms of its overall size.

Many of the cases tend to be "David vs. Goliath" in nature, but the industry is evolving in terms of its application to the types and size of cases. A recent case brought against Caterpiller Corporation by Miller UK Ltd. is a prime example of where litigation finance is used and how it benefits individuals and corporations. Miller UK Ltd. was a long-time supplier of Caterpiller for a quick decoupling device they had invented. Caterpiller management decided to develop their own device and end the long-standing supply arrangement with Miller.

When Miller viewed the competing products developed and marketed by Caterpiller, they quickly determined Caterpillar had stolen Miller's design ideas and commenced litigation against Caterpillar. The litigation took its toll on the Miller family members, both financially and emotionally. Ultimately, the Miller family turned to a US litigation finance company who provided the capital necessary to pursue the case in US federal courts. The courts ultimately ruled in favour of Miller with a US$74 million judgement (which will reportedly increase to close to $100MM when interest is applied). Subsequent to the judgement, Miller UK Ltd. has re-hired many of the employees it was forced to lay-off and the Miller family has repaid personal debts that they had assumed to pursue the litigation.
"Demand for outside funding outstrips supply. Returns are impressive."
The Economist, April 2013

Challenges to Investing in the Sector
While the asset class does present the opportunity to generate impressive returns. There are challenges to investing in the asset class in the form of manager access & selection and portfolio diversification. Given that the asset class is in the early stages of its life cycle and there are barriers to entry associated with entering the asset class, there are a relatively small number of managers with whom to invest. Accordingly, getting access to the best-in-class managers requires an investor to dedicate time and resources to finding, diligence and negotiating with these managers.

The second issue and perhaps most important aspect to successfully investing in the asset class is diversification. One of the difficulties litigation financiers have is proper portfolio construction because, different from many other asset classes, litigation financiers do not know exactly how much of their committed capital will get deployed until the capital is required. Accordingly, portfolios, when viewed on a capital deployed basis, can end up being very concentrated. Were it not for the potential for binary outcomes in the asset class, this would be acceptable, but the quasi-binary nature of the asset class means that diversification is more important than traditional private equity asset classes.

The Way Forward
As with any asset class, manager selection and diligence is critical to investing in the asset class. Specific to this asset class, diversification should be central to your investment decision-making process. If the appropriate portfolio design considerations are made, the asset class looks promising to deliver exceptional performance!

Edward Truant is a principal of Balmoral Wood Litigation Finance, a litigation finance fund manager based in Toronto, Canada. The author can be reached at edwardt@balmoralwood.com.

NEW GENERATION PRIVATE EQUITY

Leading the mega trend of European SME Acquisitions dubbed the 'greatest transfer of wealth in history'

by Stephen Greenwood

A recently established 'new-generation' PE fund has opened up to investors the prospect of high rewards generated by combining the acquisition of profitable SME businesses with employee ownership. This ethical investment hybrid is the Acuity Private Equity Fund and predicts 25% plus returns annually over the ten year life span of the investment. One of the most successful business models operating in current markets is that based upon employee ownership. The best known example of this is the John Lewis Partnership, dubbed 'the socialist on the High Street'. All 69,000 permanent employees are Partners who own John Lewis department stores, Waitrose supermarkets, an online and catalogue business, johnlewis.com and a direct services company, Greenbee.com, with a turnover of nearly £7bn last year.

According to research carried out by the Employee Ownership Association, employee-owned companies consistently outperform the FTSE All-Share, with a 9.9% boost to share value (Martin Conyan and Richard Freeman, Shared Modes of Compensation and Company Performance, National Bureau of Economic Research, Working Paper 8448). Other research shows that this model outperformed the FTSE-100 throughout the post-credit crunch crisis, generating 174% greater earnings per share (EPS). All very well, but how can this include a return for external shareholders? The principal architect of Acuity, Stephen Greenwood, believes that an answer to this conundrum has now been skilfully engineered. "This is the only fund in the world that acquires the majority equity of between 60%-70%, for example and creates employee ownership by allowing the employees and managers to own 30-40% and benefit from higher growth for investors and co-ownership with employees " he explains. Collaborating in a Joint Venture with Close Brothers Merchant Bank enables the Fund to use only small slices of equity investment while still obtaining the majority equity. The Fund is executing a strategy that directs this ethical approach to acquisition towards the demographics of the baby-boomers born between 1947 and 1957. Thousands of 'grey entrepreneur' business owners across the EU are now turning 65 years old and want to retire but wish to leave in such a way as to protect their legacy and see their staff rewarded. This has been called the 'greatest transfer of wealth in history' but the financial crisis of 2008 means that these businesses, while established and profitable, are finding it difficult to find buyers.

Stephen Greenwood
Acuity Management Limited

Many of these businesses now face the very real prospect of disappearing, effectively wiping out decades of dedicated work and destroying the livelihoods of their employees, with the knock-on negative impact that this will have on their local communities. Nearly a third of all the 19.3 million SME's in the EU are owner-managed businesses (OMBs) set up by the post-war generation. Many of these businesses would, pre-2008, have been up for sale. According to the European Commission reports on Succession there are 690,000 profitable trading businesses that must find new owners each year for the next ten years. This will continue up until 2025 and involve businesses worth an estimated €27.3 trillion that must find a new owner.

Before the credit crunch, the exit strategy for such businesses was relatively simple: a management buy-out (MBO. The credit crunch put an end to that, devastating the MBO market is so that there is barely any activity compared to pre-2008 levels: less than 10%. The reasons are two-fold: the banks will not lend and the private equity houses are only interested in the bigger businesses, typically £60 million plus (as shown in Private Equity Demystified 2012 by Prof Mike Wright and John Gilligan). For business owners of the baby boomer generation succession is the key issue as there is no easy way of realising the true value of their business while also safeguarding jobs and creating the conditions for future growth.

The option to sell to the employees preserves what is unique and special about the business – its DNA – while ensuring that it is owned and managed by people who share the values and vision of the outgoing owner. Employee ownership also preserves jobs and the contribution that the business makes to the economic viability of the area in which it operates – the aim of many social enterprises.

There is a ten-year window of opportunity in which the Fund can take its pick of the very best SMEs available. The Fund has six basic criteria in selecting suitable businesses:

- Ten years of profit
- Strong managers
- Recession resilient
- Defined market niche
- Unrealised growth potential
- Long-term dividends

The Fund is currently invested equally within the three sectors of Industrials, Procurement and Media but the strategy is based upon demographics rather than being sector specific and neither is it limited by geography: it will acquire SMEs in any EU state. The team behind Acuity has put a lot of effort into creating buy-out vehicles that create what Greenwood terms 'a low risk environment for investment' that will also deliver high rewards – the targeted return is more than 25% for the life of the Fund. Greenwood himself has some form in this regard as he was involved in a joint venture with Mitsui Sumitomo that acquired a portfolio of 122 SMEs over 15 years for £600 million that was worth more than £1 billion at the time of disposal. Highlights included the acquisition of the North West chemicals company Multisol for £31 million, which was valued at £80 million on exit.

Greenwood and his team have developed three new buy-out frameworks or 'intelligent buy-outs' that are tailored to acquire the SME's that private equity houses ignore, those worth between £1m and £25m. These 'IBO' vehicles are unique to Acuity and are registered as intellectual property and legally protected as such. The three types of framework are Management Involved Buy Out (MIBO); Management and Employee Involved Buy Out (MEIBO); and Employee Co-Ownership (ECO). These are based on sharing the ownership of the business – and its increasing value - with managers and employees, but taking a long view.

Again, unlike traditional private equity houses, Acuity plans to keep the companies in which it invests for 10 years, not five, and so that investors will benefit from long term dividends. In fact, Acuity has already bought a small number of businesses and is expecting to distribute its first dividend in May this year. Though the amount to be paid has yet to be decided, the Fund says that already the return on investment has been an extraordinary 560% due to the effect of gearing. The Acuity Fund offers an alternative investment for sophisticated investors who want to diversify their portfolio with exposure in the developed economies while remaining true to the social values of economic security and job creation. It also offers a potentially high earning investment at a time when yields from many conventional asset classes are sharply diminished.

The Fund's combination of a high yield with a social impact has led to a number of coinages, with some terming it 'The Ethical Acquisition' while others prefer "Socially Engaged Capitalism". Based on the Berkshire Hathaway model, the Fund's strategy is for long term investments that offer a high yield while being risk-averse so that the initial capital is protected and secure.

www.acuityag.com

SUPERYACHT INVESTOR CONFERENCE

A prestigious event held at The Landmark in Marylebone, London, Superyacht Investor London is established as one of the foremost conferences within the Superyacht world, attended by lawyers, shipyards, interior designers, insurers, art advisors, corporate service providers, and yacht brokers. The conference enables the industry's key players to unite to debate topics that are pertinent to the world of Superyachts. Topics ranged from reviewing the 30 to 40m market, the future of yachting, berthing issues, the well-being of crew onboard, the complexity of cybercrime, hybrid technology and discussing the risks with art at sea. With 5% of billionaires owning superyachts, millionaires can own a yacht too and they are increasingly requesting a minimized carbon footprint. The market is very strong,

yachts are getting bigger, and there are 5000 superyachts in the world right now.
Designs are evolving faster than the times, the engineering at the forefront of innovation, and their designs are setting trends, due to a change in owner demographics. With the rise of the tech and cyber industry, millionaires are younger, and the average age of a superyacht owner is now around 40 years old usually with families. It is worthy to note that clientele is shifting, and we are seeing an increase in the Russian market and North West America.

Staying in top physical form is important to owners, their children and their guests, and spending time on your yacht does not mean relinquishing your fitness goals so investing in gym equipment is a key trend. As our world is now smaller due to social platforms, the new wealthy want new experiences, no more long lunches, but more adventure driven toys to capture on Instagram. Some superyachts have a huge following online and this projects the industry's image in a super sleek way.

With the superyacht industry in a constant state of transformation, this comes with major trends surrounding the industry, along with new technology to combat cyber-crime and ignite the superyacht toys. Family Office Magazine delved further to explore these key trends.

The 30 – 40m Market
The world's superyacht fleet over 30 metres in length has grown tremendously over the past few decades, even though the very large superyachts exceeding 40m attract a lot of attention, the main segment of the superyacht market is still 30 to 40 metres. This size is still the most popular to charter a vessel in the Mediterranean. However, catering for yachts at this size of 30 up to 160 m is so challenging as they consume huge amounts of power and huge amounts of water. A typical indication is that a UK household consumes 0.5 kilowatts, a yacht in excess of 100m consumes 500 kilowatts, which is 5000 times that of a household.

Many factors can influence costs, a typical first-time buyer does ask about the re-sell market and choosing a shipyard is an important factor with many ramping up for bigger yachts. Dutch and German shipyards are still popular, however. A client will pay a premium price to go to certain shipyards, and they need to understand why they are paying this, which amounts to two factors, a better-quality product and the all-important brand name. A client will get his return on the resell, if the design is right with a fairly neutral interior, and you don't build something overly opulent and personalized or you will struggle to sell it, buyers do not want quirky design. If it is neutral, you can personalise the interior more efficiently.

Eco-friendly
Another new trend is that Superyacht architects are trying to fuse Hybrid technology with eco-friendly design concepts. Plastic is being minimalised as much as possible.

Superyacht Toys
Owners need their downtime, and this is where toys come in! Toys represent the biggest turnover on a yacht and crew are also expected to know how to use these value-added assets and all charter yachts are expected to carry a multitudinous choice of water toys.

Electric jet-skis are also popular and with the issues of increasing numbers of environmentalists like Greta Thunberg and destructive publicity because of the negative impact on the environment, this should prove advantageous. Minimising the carbon footprint of a yacht is imperative now, and a few key individuals will be targeted, only because of what they do, either politically or for their celebrity status. Water slides are becoming bigger, jet lifts, pedal boards, sea bob's and submarines are all now a prerequisite.

Let's not forget, when one owns a superyacht, one needs a helicopter too and this is an increasing trend. The helicopter is the last asset of the owner, and it should have all possible safety features and not just be the cheapest solution for transport between airport and yacht. It is important when advising the owner, to choose a helicopter which covers the client's needs, and it must have enough passenger seating for family and friends. Not every country is able to solve complex problems with helicopters so choose a modern helicopter with great performance and low maintenance with twin engines and twin hydraulics systems. Special safety features such as floats are mandatory if operating commercially from cruising ships or explorer yachts, then increased safety features need to be put in place. Yacht builders need to consider this at the early stage of the build. With all this to play at, will this be enough for this high-tech generation?

Adventure Tourism
The yacht owner wants to explore the world, see penguins and icebergs, dive in the Antarctic and venture off the beaten path, and it is no surprise that companies have to remember that they want to leave as little impact on the environment as possible. Hulls are now ice-classed allowing the vessel to navigate through sea ice and frozen terrains and some vessels have even been designed to evoke the Arctic landscape in a bid now to raise awareness about climate change. Three luxury travel companies

EYOS Expeditions, Pelorus, and Cookson Adventures each pitched a unique yachting experience to the audience reaffirming that adventure travel for thrill-seekers is there for the taking. One very important room on the superyacht whilst on adventure tourism is the mudroom, a transition zone between guests coming from interior spaces, getting equipped with life jackets and cold weather clothing, then heading out to their adventure, then transitioning back again to protect the interior of the yacht. With toys and technology at the guest's fingertips, adventure tourism is truly a fast-paced global trend.

A home from home

Many buyers of superyachts count them as their fourth or fifth home and the trend is that they need the same luxuries and comforts as they would have in their chalet or in the South of France. Interior Designers are performing particularly well and with the demands from owners wanting spa's, fireplaces, offices, cinemas and al fresco dining on board, the whole exterior and interior of the vessel are merging as one.

The Use of Glass in Yacht Design

The new wealthy want a new approach to design and because the aesthetics of the vessel play a pivotal role this means there are new ways of utilizing glass to impress their guests. Designers are asked to find new ways to push the boundaries of creating modern edge glass super sculptures. Owners want the outside world brought in and new designs are being seen in creating glass-bottomed under water lounges and glass lifts. Yacht architects are also constantly upgrading making the glass more fire-rated, bullet and attack-resistant.

Cyber Security

We are online 24/7 and if you are there is a risk no matter what of cyber-crime, and unfortunately, there is a complacency in the superyacht cabin that you wouldn't see in the office. Business dealings are commonly dealt with on social media platforms such as What's App and roughly 90% of cyber-attacks are people trying to steal something of value that they can sell on the black market and those are untargeted low sophistication broadcast attacks. There is a low bar to entry for this spyware! Certain clients get deliberately targeted purely because of who they are, and it is more about the ideology, the politics and the controversy. So, the owner really needs to identify what they have as an asset, and what would be the impact on the actual asset if they don't have a secure system in place. It really does sound like a Hollywood scenario, but it comes back to a basic simple concept, one must identify the risk and the assets, it is the most pragmatic approach.

Extortion, theft, hijacking and general access to security systems are the major key issues to cyber threats. Owners often conduct business onboard and their vessels have less-secured WIFI systems, and so can be hacked from some distance.

The software Specops is there to establish clear rules for crew onboard yachts covering cyber-security topics and ensure that they are well-understood. Captains and Managers may consider banning the use of social media on superyachts and review confidentiality clauses for crew contracts and even for guests. Key advice from the speakers are; to frequently change passwords for gadgets onboard, as well as guest Wi-Fi passwords, hiring an onboard IT expert to manage the cyber-security of the yacht and dividing the yacht's communications system into ringfenced units.

Captains Panel

The crew is entrusted with the assets of the world's wealthiest people with exorbitant expectations, however, in a panel about what keeps Captains up at night five Superyacht captains discussed their concerns.

These ranged from managing staff through meeting the expectations of the owner, raising the bar with activities and destinations and managing the expectations where compliance issues were concerned to balance safety with the owner's demands. Some crew treat yachting as a career and work on getting themselves qualified where for others it is just a gap filler. LinkedIn is still a useful resource, but the issue is finding junior staff especially where the crew comes only with a short-term view. Captains must create motivation and they are happy to support crew through college; however, certification is not necessary as the most important quality for a good employee is the personality, given the crew lives in such small quarters. Their training is important, but can follow and be managed along the way for the ideal candidates. Traditionally captains have just had the task of driving the boat, now this is only part of what they must contend with, there is pressure to impress the yacht owner and every trip must be special and provide variety. According to panellist Captain Richard Bridge of Bridge Yachting which consults in all areas of yacht management and personal support to owners, "As a Captain, what kept me awake most at night was being able, as a crew, to deliver the very best experience to owners and guests. My aim now is to be able to use those years of experience gained to help Captains and crews do the same and perhaps sleep a little better!"

Art On Superyachts

An area of considerable interest over the past three years has been the burden placed on Captain and Crew in managing paintings and decorative objects of very high value. The sum of the only value-increasing assets on board can exceed the value of the vessel. Moreover, many instances have come to light where export laws have been infringed in highly-publicised and embarrassing cases.

These involved cultural goods which were deemed to be national treasures and those which were endangered species. New cultural goods laws are now being introduced into the EU which will affect any yachts entering EU waters. Whilst there is a good case for having replicas on board which are identical to the original, those who choose to have the original object with them to enjoy are advised to engage professionals in the field. Yacht Art Management, Pandora Art Services and Rosemont Art Advisory guide owners, yacht management, captains and crew through installation, handling, protection and many other tricky areas along with indispensable training on how to avoid the many pitfalls.

In conclusion, this year's conference was fortunate in taking place before the lockdown and was invaluable for its networking opportunities as well as the high quality of content shared with delegates. It was co-joined with the Private Jet Investor conference which brought two aligned industries together to share ideas and insights.

by Cerise Washington

CONTROLLABLES AND PREDICTABLES

Northwood Family Office

Families of wealth face the world full of unknowns, which can play havoc with their plans and aspirations. Investment returns are unknown, future trends in inflation are uncertain, the correlation among asset classes is a moving target, and the level of market volatility is, well, volatile. Interestingly enough, the investment industry spends most of its time focused on forecasting the above economic factors, despite substantial evidence that it is almost impossible to do so accurately or consistently.

"Investors are hopeless at forecasting, yet it may be at the heart of their investment process."
– James Montier, Grantham Mayo van Otterloo,

Obviously, some investments can be forecasted more accurately. A five-year bond portfolio is more predictable than a basket of equities, and dividends are more predictable than the associated capital gains. It doesn't mean that investors should not have expectations for their investments. It's just that markets are notably fickle regarding when and how the returns will be delivered. And if the timing of the returns doesn't match up with the timing of the family's spending needs, there may be a problem.

Historical metrics can provide some guidance on current market valuations but, as we all know, past performance is not an indicator of future returns. Given this backdrop, what is a private investor to do to effectively manage their wealth plan? It's a good idea to find the components of the plan that are predictable or, better yet, controllable and manage them well. So, what fits those categories?

Taxes – Every dollar saved in taxes goes into the investor's pocket. In that way, tax savings are a 'certain' additional return with no added risk. There are some ways to save taxes depending on the family's jurisdiction and tax regime, including income splitting, trust and tax structuring, deferral of taxable gains, and tax-effective investment products.

Tom McCullough
Northwood Family Office

Investment costs – Similar to taxes, every dollar you save in costs also goes into your pocket. It pays to minimise these investment costs wherever it makes sense. Costs can include investment management fees, trading, custodial and advisory costs and transaction fees.

In a low return environment, the current fixed income market, for instance, controlling these two factors in particular – taxes and costs – can have a significant impact on a family's net investment return.

Family expense control – While not always easy, some components of family expenses can, in fact, be controlled. Some expenses are discretionary, and other expenses can be cut back. At the very least, future family expenses can be predicted. Having a reasonable idea of what those expenses are likely to be and how much investment return will be required to fund them (and when the money will be needed) is one of the most important factors in planning and portfolio management. It allows the investor to target a return (and attendant risk) that is reasonable and appropriate to meet their needs, and can prevent investors from 'reaching for extra' return at the worst possible time.

"More money has been lost reaching for yield than at the point of a gun." - Raymond DeVoe, Jr.

Personal decisions - When you think about it, there are quite a few other things you can control. You can decide how much longer you will work (and receive income), which can be very significant for large income earners. You can decide when you sell (or don't sell) the family business. And you can decide to take money off the table in good times to cover the inevitable bad periods.

Investment strategies - There are also investment decisions you can control that will affect the outcome in your portfolio. You can decide to buy investments at a discount to their intrinsic value to provide you with a margin of safety when markets decline. You can decide to reinvest your dividends or allow your interest to compound (i.e. not withdrawing the funds). And you can rebalance your portfolio by buying more of an asset class when it declines. Also, if you have the financial capacity and temperament to forfeit liquidity or take on additional volatility, you can buy less-liquid or higher-risk assets that typically pay investors a premium to own them.

Build a comprehensive plan – Another way to add predictability and control to a private portfolio is to have a plan. It sounds simple, but just documenting what your family's goals and spending plans are and establishing a long-term plan to achieve them can help families (even the wealthiest) exercise control over their emotions in turbulent markets. A sensible investment policy statement can also provide much-needed self-discipline to help save the portfolio from the effects of rash and unwise reactions at the worst possible times. As for the things you can't control, like investments returns, the wise risk management route is to use conservative estimates in your planning models. Positive surprises are rarely a problem, whereas negative surprises can play havoc with family plans.

The investment industry spends a lot of time trying to forecast things that really can't be predicted. For families of wealth looking for a more sensible and manageable financial life, it is wiser to focus on the elements you can predict or control, and use conservative estimates for the ones you can't.

www.northwoodfamilyoffice.com

Ross Marshall
& Tom Watt

THE ALBATROSS CLUB

Exclusive Golf Travel Experiences

The Albatross Club was set up to offer unique and exclusive golf travel experiences. It's the first membership and networking club dedicated to luxury golf travel. The Albatross Club was launched to appeal to clients who like the finest things in life, who like to stay in the best hotels, play the best (and most exclusive) golf clubs in the world. In addition, it is for clients who like to receive the highest levels of service. You become a member of Albatross Club by purchasing a holiday, after which you will receive a membership card/ bag tag, which will enable you to be invited to various exclusive events throughout the year.

We have selected hand-picked tours and experiences, tailor-made to suit the needs of the discerning golf traveller. We are also flexible to our clients' needs, so if you want to tailor-make your own holiday, this is not a problem. Our motto is 'Anything is Possible.' Wherever, whenever and however you want to play golf, we can service your requirements. If you want to play with a Tour Pro, then we have the connections to facilitate this. If you would like to fly by private jet or use a helicopter, then we can organise this. There is a selection of experiences on display on the website (www.albatrossclub.com), but we can tailor-make any holiday for you. We can organise the best in travel and golf from New Zealand to New England and from South Africa to South America.

The Albatross Club is all about service and providing the best travel experience from beginning to end. To that end, we have some of the most experienced people in golf and luxury.

The Albatross Club is headed up by Tom Watt, who has 20 years experience in the luxury golf travel business. "At the Albatross Club, we have searched the globe to find the very best golf and travel experiences. We start by understanding what the customer wants, and we take great pride in creating the luxury bespoke itinerary to fit those needs. Anything is possible at the Albatross Club."

"We have launched the Albatross Club to service the needs of clients who want bucket list golfing experiences all over the world. I am extremely excited about the first membership club dedicated to golf travel." Ross Marshall - CEO - Your Golf Travel

The founding members of the Albatross Club are Darren Clarke, Lee Westwood and Charley Hull.

Darren Clarke - 2016 Ryder Cup Captain & 2011 Open Champion
"I am thrilled to be Member No 1 at the Albatross Club. Travelling around the world in style, playing the best golf courses and staying in the finest hotels....what's not to like about that?"

Lee Westwood - Former world No. 1 & 9 Ryder Cup appearances
"Darren and I have got used to the finer things in life over the years. The Albatross Club provides us with everything that we want, and I am very excited to be a founding member."

Charley Hull - 2 Solheim Cup appearances
"I am so excited about being associated with the Albatross Club! The Experiences that are offered are simply the best way to play outstanding courses around the world."

Why Travel with The Albatross Club?

Reasons to Book with Confidence

1. The Albatross Club is part of Your Golf Travel Ltd, which has been trading successfully for over ten years. We are members of The Association of British Travel Agents (ABTA) as well as holding an Air Travel Organisers License (ATOL). The company is also a member of the International Association of Golf Tour Operators (IAGTO) as well as the International Air Transport Association (IATA), more details can be found in our Financial Security and Associations section.

2. Your holiday experience with the Albatross Club will be handled by only the most experienced travel professionals. We have played the golf courses, stayed at the hotels, and experienced the country.

3. The Albatross Club believes in the complete service experience. We will see your reservation through from enquiry stage until after you have returned. We will take the time to make sure you are completely happy with your itinerary before you pay your deposit. Prior to travel, you will receive a full glossy travel package, and a call from your consultant to check that you have everything you need and answer any last minute queries you may have. There will be a number for you to call while you are away and local contacts, so that everything runs smoothly. We will also give you a call when you return to check that all went well and to get your feedback. We always listen to your feedback.

4. We are a one stop shop taking care of all your needs. We take all of the stress and hassle out of working out the various components of a holiday. In addition to hotels and golf courses, we have contacts and contracts with all of the major airlines around the world as well as private jet and helicopter companies. We can arrange for fast track through immigration at many airports around the world. We can organise private luxury transfers, excursions, balloon trips, safari's, yacht trips, tickets to concerts or sporting events and even rounds with PGA Tour professionals.

"Give us a try and you will be glad that you became a member of the Albatross Club."

tom.watt@albatrossclub.com - www.albatrossclub.com

ALBATROSSCLUB

YOU CAN FAKE AN EXPENSIVE WATCH, BUT NOT A BUTLER!

POLO AND TWEED

By Lucy Challenger CEO of Polo & Tweed

Sitting down with Lucy Challenger, what strikes me is her focus and tenaciousness. When she turns to me, she gives me her direct attention. The iPhone is left on the table, and her eye contact is direct. Extremely well presented, she speaks passionately about her company, her brand and most importantly her ethics.

Lucy has worked in the domestic recruitment world for some years. An entrepreneur by heart, she has founded and set up multiple companies and brands since the tender age of 21. Never one to shy away from exploring new directions and taking risks, she claims she takes 'calculated risks' to allow for a balance of both personal and business life success. It is refreshing her candour on the subject.

Lucy has seen changes in the domestic staffing industry over the years. Her childhood was influenced by a series of wonderful nannies that worked for her family (both parents were Doctors), and her family employed some live-out housekeepers to tend to the home. She has experienced domestic staff first hand, and now as a mother herself, she has her own live in Nanny and part-time housekeeper who she deeply relies on to manage the house when she is at work. The staff are vital to the success and development of any professional family and Lucy understands this first hand.

It is perhaps this approach that makes her business approach her company Polo & Tweed so unique. She doesn't pretend to be anything she is not. She understands that many of her clients are high net worth individuals and families, and she works with her team in Mayfair to place all types of staff from Butlers through to Estate Managers through to Yacht staff in their private estates, yachts and homes. She can understand the stresses of hiring staff and aims to reduce this stress for the client, family office or PA that she is working for.

Ultimately she doesn't think about the bottom line, and her team in Mayfair are not driven by targets. Instead, their focus is on client retention and satisfaction. Most of Polo & Tweed's business comes from word of mouth that Lucy believes, is the most powerful marketing tool.

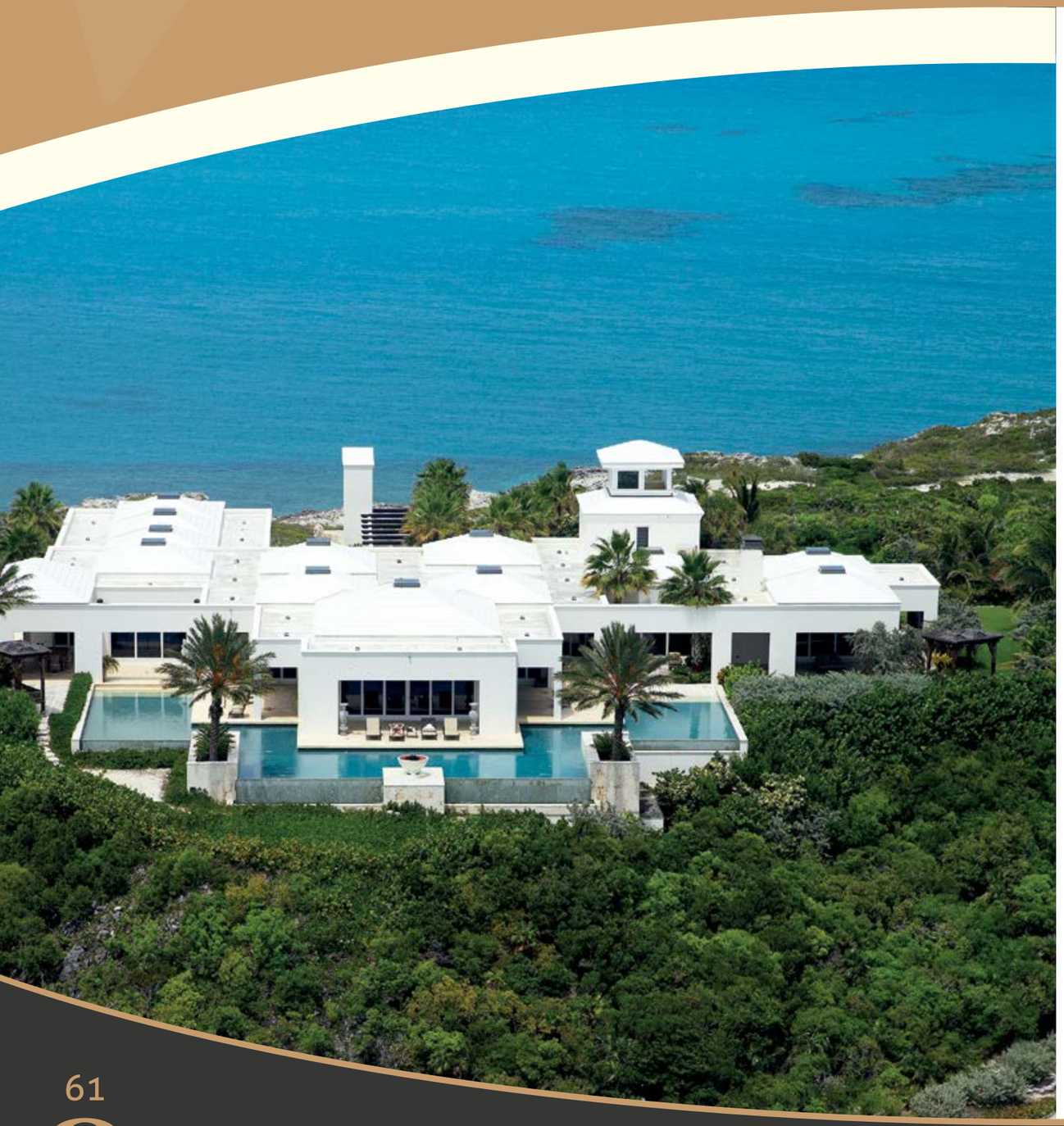
So what makes domestic service such an interesting career and why is there a rise of white-collar professionals (lawyers, accountants, etc.) retraining to become Butlers? The truth, Lucy says is that if you were born to please and you enjoy service and perfection, then the role of a Butler can be an exciting (and lucrative career). Individuals will travel the world, live and work in the most incredible locations, fly in private jets and spend many months on board super yachts. The life they will experience is unique, and privilege and in return they provide the very best care and service to their principal. It's not the job for everyone, of course, the hours are long, and the shifts are erratic, and this type of domestic service doesn't lend itself to family life. But for those who are passionate and dedicated, the rewards are plentiful. Lucy's team, based in the heart of Mayfair work with all types of clients around the world. 75% of her clientele are high net worth individuals, family offices and PAs based on the domestic industry, and she looks to find all types of staff for their private homes and yachts. 25% are corporate and commercial clients, from 5* hotels, Michelin star restaurants, high-end chalets and commercial yachts. She places full time, part time and also event staff in short term placements. In the last year, Lucy has also had a growing demand for staff training, so she sends specific trainers into private homes, yachts, hotels, restaurants and chalets around the world and trains up existing staff to a higher level of service. For example, silver service or advanced housekeeping skills are the top two requests for in-situ training. She also runs open training courses for individuals who wishes to join and learn specific service skills.

Polo & Tweed does something that no other domestic staffing agency does; it provides the utmost care and attention to its clients and places the highest level of staff within the clients employ. Lucy and her team are looking forward to many years of exciting business development ahead, with new clients and families coming to seek her expertise.

WHERE ECO-POWERED OPULENCE...

OVER YONDER CAY

THE ULTIMATE LUXURY VACATION



The Bosarge Family Office Paradise

Over Yonder Cay is a special place on Earth, where eco-powered opulence meets barefoot luxury. Richard Knight reports on this unique 72-acre private island retreat.

Somewhere in the Bahamas, between the turquoise waters of the Exuma Banks and the deep blue of the Exuma Sound, lies Over Yonder Cay. The Bosarge Family Office has transformed this former remote fishing outpost into a unique eco-friendly haven for those seeking authentic and sustainable luxury. The island can accommodate from two to thirty guests in four uniquely designed villas with private beaches, pools and breathtaking views. This ecologically designed secret sanctuary is powered by pioneering wind and solar technologies, technologies so advanced they are being studied as a global model for pollution-free island living. My own journey to Over Yonder Cay was by sea-plane but, as the Cay has its very own sheltered deep water marina that can dock yachts of up to 180ft (55m), pulling in aboard one's own super-yacht would be equally easy. The marina is home to an armada of the island's own dive, fishing and sailing yachts, including resident super-yacht S/Y Tenacious. Her high-tech black sails strike an amazing sight against the turquoise waters, either as she departs carrying guests on sunset cruises or on overnight adventures to one of the nearby pristine marine parks.

This splendid island sanctuary sports all the expected activities and water sports. It also boasts a nine-hole, par three golf course, replete with a fleet of eco-electric powered golf carts that thread the golfer from hole to tee along paths through tropical gardens. All of the gardens, including the kitchen gardens that supply the island with fresh vegetables, are irrigated by a combination of rainwater stored in huge sunken water tanks and sparkling fresh water produced from eco-powered water makers.

All the villas have their own private gardens. The finest of these surrounds Meridian House, which has been situated on the highest point of the island to take advantage of the stunning 360-degree views. Meridian House is the largest of the villas with four suites sleeping up to eight guests. Its Rococo interior provides an elegant setting for group gatherings. The opulent conservatory, with a Steinway

piano, leads to a grand dining room and on to exterior terraces for al fresco dining. The villa packs it's own entertainment punch with a 12-seat movie theatre, fully equipped gymnasium, treatment rooms, sauna and steam rooms. The master suite is expansive with 'his' and 'hers' en-suite bathrooms, a beauty room and a dressing room. The dressing room has a spiral staircase leading to the top of a viewing tower, which offers spectacular views in all directions.

The three other villas are West Sands, East Cove and South Point. Each of these has its own individual interior style, but all are equally luxurious and benefit from having their own beaches. Their locations provide guests with laid-back luxury, tranquility and privacy yet without any sense of isolation.

The days on the island were based around a simple idea: do what you want when you want. Do nothing at all, or play hard. With so much on offer, I found it impossible not to want to play. In the event, the party would often stretch late into the evenings, often at the beach club which, by day, acts as a social hub for tennis, volleyball and water sports but, at night, comes into its own with its DJ booth, amazing speaker system and dance floor. The provision for relaxation was equally impressive. Active days and fun nights mellowed seamlessly into chilled mornings. The beach side spa cabana provided a haven for either massage treatments or yoga classes with our own yogi. If that wasn't sufficient to revitalise my party, then we found that Chef was more than able to conjure up one of his special detox spa menus. Chef had been trained in many of the world's top restaurants, and it showed. The comprehensive menu, reliant for its inspiration on produce from local fisheries and nearby kitchen gardens, featured a wide variety of global influences and was complemented by a very fine wine cellar. Overall, the food on the island was sublime.

It's true that many special places like to hide their light under a bushel. In that case, I would say that Over Yonder Cay's bushel should be kicked deep into one of its dreamy, blue lagoons. Whether you are looking for retreat or exploration, private holiday or special event, you'll find that Over Yonder Cay offers it all in the finest of luxury.

Richard Knight is CEO of Wilkins & Rock Ltd, which has been working with the world's most luxurious destinations for 25 years.

For enquiries and details please contact the island manager through the website www.overyondercay.com

MERCEDES AMG

One Star – Two Worlds with Nico Rosberg and Lewis Hamilton

Monaco/Stuttgart. The two drivers from the MERCEDES AMG PETRONAS Formula 1 Team, Nico Rosberg and Lewis Hamilton, met during the run-up to the Monaco Grand Prix on 29 May 2016 for a sensational event off the racetrack. Hamilton put his driving ability to the test on the water with a Cigarette Racing speedboat. Rosberg showed what a relaxed lifestyle cruising off the coast of Monaco looks like on the Mercedes-Benz Style luxury motor yacht. The stunning pictures of the spectacle can be viewed at http://mb4.me/speed_and_style.

With the motto "Speed & Style" the two demonstrated that the worlds of modern luxury and racing performance blend perfectly under the Mercedes-Star – both on water and on land. Hamilton showed the world of performance with the "Cigarette Racing 50 Marauder AMG Monaco Concept", inspired by the current MERCEDES AMG PETRONAS Formula 1 car, which he also brought to the event. Meanwhile, Rosberg demonstrated the world of modern luxury with the S-Class Cabriolet and the Mercedes-Benz Style Luxury motor yacht "ARROW460-Granturismo".

"The Cigarette Racing speedboat and our Mercedes-Benz Style luxury yacht 'ARROW460-Granturismo' represent a coming together of two design icons. Each of them is hot & cool as their design is both attractive and surprisingly new, making both boats perfect embodiments of emotion and intelligence," states Gorden Wagener, Head of Design at Daimler. He adds: "The 'ARROW460-Granturismo' carries our Mercedes genes throughout. We have transferred an automotive design idiom to a yacht – and this design statement far outside the usual mainstream in the boat industry allows us to create a totally original aesthetic."

Ever since the brand exists, Motorsport has been part of the DNA of Mercedes-Benz and is one of the core activities creating performance and power. This is framed by modern luxury that embodies the brands design philosophy of sensual purity by the highest measure of emotionality and technical perfection. This perfectly illustrates the standards of the founding fathers Gottlieb Daimler and Carl Benz, always to strive for the best and thus to delight both heart and mind in equal measure. This results in products with a timeless attractiveness that fascinate people around the globe.

The high-performance boat "Cigarette Racing 50 Marauder AMG Monaco Concept" is equipped with the most powerful series-production twin engines in the Cigarette portfolio. Two Mercury Racing V8 racing engines each with 1140 kW (1550 hp) take the 50 foot-long (approx. 15 metres) and eight foot-wide (approx. 2.40 metres) powerboat to an estimated top speed of more than 228 km/h (more than 142 mph). The characteristic design and the thoroughbred motorsport technology are inspired by the performance brand Mercedes-AMG and the current MERCEDES AMG PETRONAS Formula 1 car.The boat is made in a new type of layup process which has been specially developed for racing and reduces weight but also ensures better handling under high loads.

UNEXPLAINED WEALTH ORDERS

WHAT FAMILY OFFICES NEED TO KNOW

London has long been a destination of choice for wealthy families looking to relocate or simply to invest in prime real estate.

Despite the undoubted benefits, this investment has brought to the UK – there has been a distinct chill in the atmosphere recently and the attitude to foreign investment has started to shift.

A recent delay to the renewal of a high profile Russian individual's investor visa was seized upon by the media (with no evidence) as an example of a new tougher stance being taken by the authorities with regards to wealthy foreigners who seek to make the UK and in particular London their home.

In January 2018 the government introduced the authorities' latest weapon in the fight against organised crime and 'dirty money' – the unexplained wealth order or UWO. Characterised by the press as the 'McMafia Law', these new powers provide a powerful tool to compel individuals to provide information about the source of their wealth.

The first ever UWO was obtained and served shortly after that and my firm is currently instructed in challenging this order in the High Court.

It should be emphasised that everything suggests that these cases are only the beginning. The Sunday Times has reported a source at Number 10 as saying, "No one is off the table. Nothing will be advertised, but you will see a step change in unexplained wealth orders". Perhaps even more ominously, a senior director at the National Crime Agency has said that they have identified, "between 120 and 140" individuals in the UK who are potential targets for UWOs.

By Thomas Garner
Gherson Solicitors

No one could argue against the principle that it is essential to have a robust anti-money laundering regime in the UK. However, the introduction of the UWO – that can be targeted against individuals where no suspicion (still less evidence) of criminality exists raises genuine concerns.

The UWO represents one of the most disruptive and intrusive devices available to the authorities in the UK and the impact that is receiving an order will have on a family is dramatic. A UWO poses a direct threat to an individual's privacy, security and reputation, which families of wealth understandably hold dearly.

I have met with several advisors to High Net Worth families recently who remain entirely in the dark about UWOs or, at best, are only aware of how these orders have been (misleadingly) portrayed in the media. In my view – anyone who represents a family with significant assets in the UK needs to be aware of the underlying facts.

For those who are thinking – 'sure but I don't represent any gangsters' – think again. In many cases, there is no requirement for any suspicion (still less evidence) of criminality whatsoever.

Any foreign Politically Exposed Person (PEP) is potentially at risk. To obtain a UWO against a foreign PEP (or someone related or connected to one) the authorities need only demonstrate that there is property in the UK valued in excess of £50,000 and that there are grounds to suspect the individual could not afford to purchase it with their known lawful income.

UWOs are obtained in secret, without notice. The order will require an individual to respond to a detailed list of questions and to provide whatever documents are requested of them. The timescale for preparing this response is incredibly short.

A failure to comply will lead to a legal presumption that the property is the 'proceeds of crime'. The authorities will then seek to confiscate the property. Providing false or misleading information constitutes a criminal offence punishable by imprisonment.

Just a few years ago it would have been utterly unthinkable to have a situation where – with no proof of criminal activity – an individual could be compelled to provide the authorities with detailed information as to their finances. This, however, is now the reality.

UWOs can be issued against anyone believed to hold an interest in the property – perhaps a family member who had nothing to do with the original purchase. They are retrospective in nature – they can be issued in respect of property that was obtained many years ago. And – to underline the point – they are mandatory. Your choice is stark – comply or accept that there will be a presumption that the property is the proceeds of crime.

You may want to consider the following hypothetical scenarios:

- A client's child studies in the UK. The child doesn't work but drives a Ferrari. Could they prove the source of funds for that car? How do they fund their lifestyle in the UK?
- A house is purchased and held as part of a family trust structure and the beneficiary is a client's spouse or child. If their spouse or child was served with an order, could they identify the source of funds used to purchase the property? Would they be able to provide documents? Would they be comfortable about disclosing the entire trust structure?
- A client receives a modest official salary. In actual fact, they also have several other legitimate sources of income, which generate significant wealth. To what extent would they want to disclose all their financial affairs if required to do so? If they had to do so by next week would they be able to?

I cannot emphasise enough that the timescales involved in responding to an order are incredibly short and the requests for information and documents are extensive. For families with complex financial arrangements merely assembling the documents in time can be challenging if not impossible.

The good news is there is a lot that can be done to prepare in advance. Families may want to consider a precautionary review of their assets and documentation to assess the level of risk they may face and to consider the potential work that could be done to improve their position. Similarly, those who are contemplating purchasing assets in the UK may want to consider taking advice in advance with regards to any purchase.

Thomas Garner
Gherson Solicitors

PRIVATE BANKING NOW COMES WITH AN INVESTMENT BANKING FLAVOUR

by Christian Fringhian
Partner, co-head of Reyl Corporate Advisory & Structuring

In a time when Swiss private banks are being forced to revamp a business model relying heavily on wealth management, it is worth paying attention to a stimulating initiative currently taking place in Geneva. Located in the heart of the city, near the Old Town, REYL & Cie has been actively engaged over the past few years in renewing its approach to private banking, thus opening new perspectives for the entire Swiss financial sector. The main idea underlying its approach consists in completing its wealth management services with high added-value corporate advisory services. In the view of its executives, who favor a cross-border entrepreneurial clientele, private bankers with corporate banking DNA might very well make the best wealth managers.

The aftermath of the 2008 financial crisis has taken a painful toll on Swiss private banks. The Swiss financial marketplace has certainly displayed overall strong resilience, but its banks still need to cope with constant margin erosion. Increases in costs due, in particular, to new regulatory constraints, are forcing the wealth management industry to re-examine its value proposition as well as its business model. Swiss private banks are thus incentivized to innovate and find relays of growth in order to remain competitive. In that regard, the corporate angle certainly deserves more attention.

Rather than focusing strictly on financial assets, the bank has widened its value proposition to the customers' asset base in its entirety, no matter how complex it might be, to the extent that it now includes corporate advisory services. Partners at REY & Cie are confident that a private bank needs to move beyond portfolio management, and must be able to address all constituents of their clients' overall wealth. Although

banks do not necessarily see them as an area of focus, corporate assets obviously fall into the category. REYL & Cie has therefore committed to filling the gap, eager to prove that corporate advisory and wealth management can develop synergies aimed at creating long term sustainable value for clients.

REYL & Cie was created in Geneva by Dominique Reyl in 1973 as a wealth management boutique. His son François, who joined, in 2002, initiated a significant diversification program. Over the past 14 years, REYL & Cie has developed a diversified range of financial services which now encompass Wealth Management, its historical core business, Asset Management, Corporate & Family Governance, Corporate Advisory & Structuring and most recently Asset Services. Across these five distinct yet complementary business lines, the bank is developing a client base consisting mostly of institutional investors and cross-border entrepreneurs with an expansion strategy geared towards high growth regions such as South-East Asia and the Middle East.

The Corporate Advisory & Structuring business line was launched in 2013 with the ambition of assisting international entrepreneurs in the most critical stages of their business expansion. Drawing on an interdisciplinary team with in-depth expertise, REYL & Cie covers most sought-for areas such as strategic advice, financing strategies, capital raising, balance sheet restructuring and optimization, recapitalization, mergers, and acquisitions. Over the past two years, it has also acquired a solid know-how in the particular field of private debt financing, an innovative yet affordable funding solution for entrepreneurs looking for an alternative to bank lending.

However, corporate advisory services add up to a larger picture. "The value we create at the corporate level contributes substantially to growing the asset base", says Christian Fringhian, who heads this business line. "Here lies our key selling proposition. In many ways, we ensure our clients that the development of their corporate assets will be fully integrated into the overall wealth management process.

We have succeeded in aligning wealth management services with corporate advisory services in an integrated way. Few banks can actually provide this kind of approach. Many of them are used to having separate divisions which can create challenges when interacting with each other. REYL & Cie, on the other hand, can quickly and efficiently mobilize a multi-disciplinary team around a joint project. Our main strength is that we understand the central role played by the company in the wealth creation process. We have always considered companies as assets in their own right and we have assembled the resources required to incorporate the entrepreneurial dimension of our clients into the wealth management framework".

For REYL & Cie, adding Corporate Advisory to the value proposition follows a natural path. Companies have always formed a familiar work environment for the bank's managing partners who have previously distinguished themselves in well-renowned investment banks. For years, they have dealt with the harsh realities and challenges of developing a business, acquiring over precious time experience. REYL & Cie has the particularity of being a private bank managed by former renowned investment banking professionals.

François Reyl, CEO of the bank, embodies this concept of convergence. Between 1995 and 2002, he worked at Credit Suisse First Boston in London, where he executed numerous mergers, acquisitions, leveraged buy-outs as well as equity and debt capital markets transactions. « This is the kind of background that our clients value", says François Reyl. "They prefer to talk to a private banker who understands how important their businesses are in building up their wealth.

The profile of Lorenzo Rocco di Torrepadula shows a similar pattern. Lorenzo worked with François Reyl in London, at Credit Suisse First Boston, which he also left in 2002 to join REYL & Cie. A partner and member of the Executive Committee, Lorenzo is now co-responsible for the Bank's wealth management activities in Switzerland.

Also a partner and a member of the Executive Committee, Christian Fringhian is in charge of the Global Corporate Advisory & Structuring practice. He has gained over time a solid expertise in this particular field. His career first took him to JP Morgan, in 1992, and then on to Deutsche Bank in Paris and London. Next, he moved to Barclays Capital, where he led the Public Sector Solutions group, developing and managing a range of advisory services in the areas of Debt Capital Markets and risk management.

Wealth Management might be our core business line; he sums up, but the corporate advisory is a big part of our genetic code". REYL & Cie might still be a newcomer in the corporate advisory landscape but the bank's latest performances suggest a promising future. Five years ago, REYL & Cie's assets under management accounted for CHF 4 billion. At the end of last year, they were closing in on over CHF 11 billion. The corporate advisory expansion clearly contains a recipe for success and, as such, it is certainly catching the attention of other Swiss wealth management firms in search for relays of growth.

REAL ESTATE KEY TO SECOND CITIZENSHIP

For High Net-Worth Investors

Nuri Katz is President at Apex Capital Partners, a leading international advisory firm specializing in investment consulting and wealth management for multinational, high net-worth clientele.

Nuri Katz
Apex Capital Partners

According to recent data, there are more than 211,000 ultra-high-net-worth investors (UHNWI) globally, with a combined net worth of nearly $30 trillion, a 6% increase from 2013. Experts are predicting that this number will grow by another $10 trillion by 2020. As this investor base continues to expand, many individuals realize the need to provide security and wealth protection for their families, as well as diversify their assets, particularly given the state of today's global economic climate and the increasing geopolitical instability worldwide.

Recognizing the investment opportunities around the world, one emerging trend among the ultra-wealthy has been citizenship-by-investment, which provides UHNWI and their families the opportunity to become legal residents or citizens of a new country of their choice, through investment in real estate or government programs. With more and more affluent investors seeking out ways to invest in second citizenship, especially in the real estate sector, financial advisors who work with these wealthy individuals and their families should understand the intricacies of how this process works and the benefits and challenges associated with this opportunity.

Obtaining Second Citizenship Through Real Estate Investments

In the past five years, the number of citizenship-by-investment programs has more than doubled. These programs vary from country to country, but they typically fall into one of three categories: investing in private sector assets, such as real estate or a business venture; investing in an entity or instrument issued by the government, such as a bond or promissory note; and, contributing to a government development fund.

Of the three options available, the most common financially sound approach to dual citizenship by UHWNI is through real estate. These types of investment opportunities are mutually beneficial to both the investor and the participating country – helping to create jobs and stimulate the local economy through the injection of direct investments from foreign investors, while also allowing the investor to gain lawful and permanent access to a more financially desirable region or country.

Right now, there are approximately twenty nations that offer citizenship or residency programs, with most countries located in Europe, North America or the Caribbean. The benefits and minimum investment requirements vary tremendously depending on the participating country. The least expensive country to offer second citizenship is Dominica, a small island in the Caribbean that requires a minimum investment of $100,000, plus $1,800 in filing fees.

Grenada reinstituted its residency program in 2013 and UHNWI can now immediately become a citizen for a minimum investment of $350,000 in real estate within the country. This program requires that the government individually vet applicants and their family members, though it typically only takes about 60 days for applications to be processed, with passports issued shortly thereafter.

St. Kitts and Nevis established their citizenship-by-investment program in 1984, making it the longest standing second citizenship program in the world. It allows investments in pre-approved real estate to be purchased for a minimum investment of $400,000. Antigua and Barbuda, which is home to the most active and prestigious yachting industry in the Caribbean, can also be an option for a minimum investment of $400,000.

For more luxurious real estate offerings, UHNWI can look to countries like Cyprus or Malta, where second citizenship can be purchased for a minimum investment of about $1.2 million. These programs offer full access to the EU and is one of the least restrictive passports available for global travelers. In Spain, the minimum investment is $700,000, while countries such as Portugal have a Golden Visa Program that offers non-EU investors a fast track to obtaining a valid residency permit.

In Cyprus, UHNWI can choose to invest €5 million in either state bonds, local real estate and other developments, or local businesses. Alternatively, investors can purchase a €2.5m stake in a collective investment opportunity, providing the total value of the plan is at least €12.5m. Applicants also need to buy a Cypriot residential property for at least €500,000 and maintain this after being granted citizenship. Challenges Associated with Obtaining Citizenship By Investment Ultimately, there is a great variety of citizenship by investment programs available to UHNWI, with the choices that vary based on available capital, desired location and the length of time required to obtain residence or citizenship. There are, of course, different challenges associated with each individual country's program, which financial advisors should understand in order to educate and advise their clients.

American UHNWI have additional issues to overcome in order to benefit from gaining a second citizenship. The most common hurdle is the financial obstacles that result from the Foreign Account Tax Compliance Act (FATCA), which took effect in July 2014. It requires banks worldwide to report to the U.S. authorities the accounts held by Americans abroad, meaning that U.S. citizens must continue to pay U.S. tax regardless of where they reside. With approximately eight million Americans living abroad, many have reported problems with applications for and maintenance of accounts locally as foreign banks have rejected American customers rather than comply with the exhaustive demands of FATCA.

This has presented a challenge for Americans living or doing business overseas that, according to recent data from the U.S. Treasury, 1,335 expats renounced their U.S. citizenship in the first three months of last year. Moreover, almost 75% of expats say at least one part of their finances has become more complicated living abroad, whether that concerns new currencies, taxes or moving money abroad.

Despite these obstacles, UHNWI's are continuing to seek out second citizenship investment opportunities around the world. They are looking to their advisors to understand the challenges, as well as the different minimum investment requirements required by each country, in order to weigh up the various government programs and real estate developments available worldwide in order to find the right opportunity that best meets their needs.

SPANISH TAX ISSUES

by León Fernando Del Canto

Family offices would do well to turn their attention to an over arching issue facing many high net worth individuals (HNWI) who are resident in the UK and own property in Spain through corporate structures. Owning Spanish property is a common element to many HNWIs' investment portfolios.

Multi- million-pound estates in areas such as Marbella, Tenerife and Ibiza were considered a solid investment route. UK residents bought up properties in these popular, sunny destinations, which the Spanish government facilitated by being very lax in allowing them to do this. This is because Spain was very keen on attracting foreign investment to help the country's economy, so there were few legal or regulatory hoops to jump through.

A recent report from the Office of National Statistics revealed that over one million individuals who reside in the UK own property abroad. More specifically, foreign investors own more than 5,000 properties in Spain, the majority of which are UK residents. This investment route, over the last few decades, has been very low maintenance and has required very little effort from the owners.

A key element is the way in which these properties were acquired: most were bought via double or triple international corporate structures which involve a Spanish company as well as a foreign special purpose vehicle (SPV) and in many cases, a trust too (typically in the form of a discretionary or bare trust). Generally, the countries involved are those which are included in the outdated Spanish tax haven list, such as the British Virgin Islands, Guernsey, Gibraltar or Jersey, or else countries that do not have a double taxation convention with Spain.

Of course, the purpose of setting up these international corporate structures are self-evident: to reduce wealth tax. Spanish income tax for non-residents could be avoided, and wealth tax that relates to the transfer of ownership (e.g. inheritance

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tax, stamp duty, capital gains tax, gifting the beneficiary ownership of the property and so on) was heavily reduced.

However, the tide is now turning: the Spanish tax authorities have begun clamping down on foreign investors by tightening up regulations and conducting investigations into those who are noncompliant. Professionals in the UK who advise these HNWIs now have a legal responsibility to ensure that these properties are tax compliant both in Spain and the UK, lest they face hefty fines.

The Spanish tax authorities began turning their attention to these property structures when the government issued the Real Decreto 1080/1991 in the 1990s, which listed many of the tax havens that were used to acquire the properties. Not only were they heavily penalised as a result, but it led to nonresident income tax being introduced, making these properties owned by foreign investors taxable.

This year the Spanish tax authorities have taken it a step further: with the spotlight shining brightly on foreign investors, they are making sure that thorough assessments of Anglo-Spanish tax regulations are watertight, and that due diligence on these properties has been carried out properly. As a result, most foreign investors will end up paying taxes on their properties, irrespective of whether they own them personally or via a corporate structure.

To crack down on any fraudulent activity, the Spanish government has put in place anti-avoidance rules and regulations and the tax authorities are conducting investigations into the owners to check that they are complying. Such investigations are occurring at a faster rate than ever, and for any company that was set up before 2018 and has not recently been assessed, it is only a matter of time before they are under investigation.

To prosecute tax evaders, the tax authorities in Spain introduced an ownership registry last year, which followed on from the EU Directives 2018/843 and 2018/849. The registry's aim is to identify the Ultimate Beneficial Owner (UBO), making it much easier to find, investigate – and if necessary, prosecute – the UBO, who is considered the ultimate user of the property. If the UBO is not identified, it is the director of the company who is held liable for wrongdoing and can be criminally prosecuted as a result.

This registry – which is currently being rolled out across all EU member states – comprises a database to access information as to whose name the property is in. The rule required Spanish property owners to disclose the UBO at the end of the year's tax return, when they also must provide details of all shareholders who own 25% or over of the share capital. This new law has revealed over 120,000 shell companies and roughly one tenth of these are property-owning companies that will end up being investigated.

Other regulations that have come into effect (which are particularly relevant to the larger estates) include tightening up on employment laws and tourist accommodation regulations, which the UBO must also be familiar with.

The main checks that need to be carried out (either by or on the behalf of) HNWIs owning properties in Spain via these corporate structures include:

- Carrying out a tax-compliant assessment to identify risks and fully assessing the tax exposure
- Seeking legal advice on the tax, compliance and costs associated with owning a property through a corporate structure
- Regularly reviewing the existing position of the Spanish corporate structure (including the private and commercial use of the property)
- Ensuring legislative compliance in all matters that affect the property itself
- Considering not only the UK tax position, but also other international developments where the UBO resides, as well as those companies that are involved

Ensuring the above measures are taken will go a long way in showing the Spanish tax authorities that these foreign investors are doing their best to respect the new rules. If unaware of the new regulations and the grounds on which they can defend themselves in the event of failing an inspection, they can be an easy target to the authorities.

A very small percentage of HNWIs have taken international tax advice when setting up the corporate structure, opting instead to get advice solely on the acquisition or transfer itself. The importance of seeking legal advice to avoid the potentially crippling pitfalls of non-compliance is paramount.

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THE RITZ-CARLTON RESIDENCES MARRAKECH CELEBRATES ITS SUCCESSFUL LAUNCH

The Ritz-Carlton Residences Marrakech are delighted to announce the official launch of their villas with already 65% of phase one sold. This result demonstrates the appeal of branded real estate projects and reinforces Marrakech's status as attractive investment destination.

The 85-residence community and sporting destination embraces the spirit and style of Marrakech, whilst bringing a new social and polo sporting experience to the city. Located on the 50-hectare Jnan Amar Polo Resort, it is only 20 minutes from central Marrakech and offers a 9-month polo season on Europe's doorstep. Starting at €1.3m, the three to four-bedroom freehold residences, will be fully serviced by The Ritz-Carlton.

The early success of the residences is put down to three key factors says the developer, Amar Abdelhadi: "When we conceived the project, the intention was to identify key factors and characteristics that would create a compelling residential community beyond what exists in Marrakech today. The marriage between The Ritz-Carlton, polo and Marrakech has been validated by our phase 1 results, so we look forward to continued success."

Homes are built on generous plots and offer views of either polo fields or the majestic amphitheatre of nearby Atlas Mountains, with 8 different villa types, and two interior design options. Each residence has its own private terrace, heated swimming pool, en suite bathrooms, expansive living areas, fully fitted kitchens, and separate dining areas, overlooking landscaped gardens.

Contemporary Berber architecture creates a departure from the popular Moorish arches and is in keeping with the surrounding vernacular, using local materials and the city's traditional scorched orange colour.

Crucially, the developer hasn't had to wait for sales to fund hotel construction and therefore progress is advancing at pace in time for handover to The Ritz-Carlton management team in May 2019.

Charles Smith, Managing Director at Prime New Developments, who are a UK broker for the project commented, "There's growing confidence in investing in Morocco and there are some promising property investment options with attractive returns. However, there still remains many gaps in Marrakech's real estate market, and The Ritz-Carlton Residences Marrakech have successfully filled one such void with the only hotel-branded villas for sale on the market at the moment. The residences are an ideal choice for someone looking for a second home of extremely high-quality, which offers a unique polo sporting adventure not too far away, with multiple and daily flight connections from the UK."

Residence ownership brings a world of benefits beyond bricks and mortar. Every home comes with a privilege card, complete with a host of benefits and services, including 10 nights at any Ritz-Carlton hotel internationally, complimentary membership of the polo club for two years, fast track at the airport, preferential rates at a leading golf club and additional benefits across Marrakech including special offers in the city's best hotels, boutiques, restaurants, plus preferential access to the best events and openings. There will also be a 24-hour hotel concierge service available, private chauffeur and transfers, catering, housekeeping, childcare, and excursions, which can all be arranged at the touch of a button. Whilst abroad, owners will have peace of mind knowing their property is well maintained and secured.

The Ritz Carlton Residences and Jnan Amar Polo Resort combines its distinctive concept with award-winning design, majestic surrounds, outstanding sports facilities, with arguably the greatest name in hotel service. The finest sporting traditions meet the heritage and history of one of the world's most exciting cities with invigorating contrasts and a dynamic mix of ancient and modern, bohemian and palatial. There has never been a more exciting ownership at investment opportunity in this magnificent city.

www.jnanamar.com
www.rcr-marrakech.com

CULTURE FIT IS VITAL IN
RECRUITMENT FOR A FAMILY OFFICE

These days, culture fit is a critical factor in recruiting for virtually any high level position. But when it comes to identifying someone to lead a family office, that particular requirement is heightened to the maximum. Finding the right person for this type of role calls for the most thorough of assessments. It's a process that reaches into a family's most personal matters, with financial considerations among the most obvious.

Identifying the right candidates, meanwhile, can also be a challenge, as a prospect's skills and experience are essentially just a starting point. Given that family office leaders typically stay in their jobs for as long as a generation, one cannot overstate the need to find a truly proper fit.

"When we conduct a search, we start with a 360-degree assessment process where we interface with all of the people with whom the candidate will need to work or collaborate so that person will be instantly effective when they begin in the role," says Linda Mack, founder and president of Chicago-based Mack International. "This almost always involves the principals of the family, and in some cases multiple generations or multiple branches of families, their staffs, and advisors."
It is unlike searching for any other client. "It is a highly personal process in which we communicate very closely with families. And of course when you layer in private discussions about their wealth, it can and does become very personal, very quickly," she notes.

Common Thread: Family
Linda's group is one of only a few executive recruitment firms that serve the highly specialised family office sector. With expertise in asset and wealth management, Linda and her colleagues have over the last 15 years helped to staff C-suite executives for some of the more prominent family offices in the world.

Mack International is a boutique that stresses collaboration. Indeed, the team concept is crucial to the firm's success. On the buy side, the firm works with families, their family offices and family business enterprises, family investment companies, and family foundations. The common thread is family. On the advisory side, the firm works with organizations that serve the ultra-high net worth family office market. That includes large broker dealers, private banks, boutique wealth management firms, niche investment consulting and asset managers, and trust tax estate specialists.

Culture Fit, Trust and Family Dynamics
"With all of those constituencies in play, culture fit and trust are paramount to what we do and how we approach our assignments," Linda says. "And our team structure is important and serves this market well. When it comes to searches on the family office side, we will put a team of two to three very experienced people on those assignments. They will typically have at least 15 to 20 years of experience specializing in the minutiae of family office work."
Everyone who works on family office assignments also works on wealth and investment management searches. Mack International also works with several independent consultants, who are typically brought in for highly specialised assignments. "For example, we have a colleague in New York who is specialised in investment management," says Linda. "She will work with us on assignments for CIOs and other investment-oriented types of assignments."

Family offices are by their very nature highly personal places to work. Still, every family office is different and calls for different types of professionals to run them. "Each family has unique needs, a unique culture, and like any family a family office is made up of many individuals, and they span in some cases multiple generations," says Linda. "So, from our perspective and before we can even begin to profile what the family office leader will look like, we step back and look at things like family dynamics and, most importantly, what the family is trying to accomplish over the next 15 to 20 years and then we make certain that everybody is in sync and aligned around that vision and the objectives set forth. This, then, enables us to profile the position and to figure out who best will fit."
For recruiters working with families, nuance is critical. Typically, Linda and her team will open their assessment discussion around the subject of family and delve into long-term goals and expectations. The culture of the family office, in the meantime, is never out of mind.

"Ninety-five percent of every search we conduct is about culture fit. And that is for the incoming family office leader as well. So it works both ways. Regarding potential candidates, the market is surprisingly limited, and it can be a challenge for what can sometimes be a generation in time."
The kind of person that Mack International looks at as head of a family office is someone who can see the broad picture, keeping in mind the family's specific goals and mission. "There is an old saying in the business that when you have seen one family office, you've seen one family office," says Linda. "Each one is that unique – they are like snowflakes."

The work can be complicated, with a lot of different areas to handle, many of them intertwined. "Typically, for the head of family office we are looking for the 'expert generalist,'" says Linda. "This is the person who needs to possess an understanding of all of the functional areas of wealth management and the family on a horizontal basis but who also maintains a keen knowledge across the whole continuum of finance, accounting, tax, estate planning, investments, philanthropy, and so forth."

A Personal, Highly Confidential Relationship
Family office leaders must be smart and highly resourceful, making sure nothing falls through the cracks between all of the functional areas of the family office. "When we recruit CIOs or CFOs for a family office, we are looking for all of the technical skills and competencies, so they can perform the job at hand," Linda adds. "In these instances we might be getting into investment philosophy or even compensation philosophies. That's where culture fit comes into play in big ways."

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DASSAULT

POISED FOR CERTIFICATION

FALCON 8X

Flight test campaign completed

Operational trials a 100% sucess

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Dassault Aviation's new flagship, the Falcon 8X, is expecting imminent certification following the successful completion of flight tests and a demanding month-long global operational test campaign.

FAA and EASA certification of the 6,450 nm/11, 945 km 8X is at midyear and entry into service by late summer, right on schedule.

In late April, Falcon 8X s/n 03 completed a global proving tour designed to demonstrate operating capabilities – under different conditions with a particular focus on cabin comfort and connectivity. The 65flight 55,000 nm campaign took the aircraft to 46 destinations, from North, Central and South America to Europe, the Middle East, China and Southeast Asia. Missions varied in length, from 18 minutes to 14 hours, including ultralong range flights from Singapore and Sao Paulo to Paris and from New York to Abu Dhabi. The aircraft experienced a full range of flight conditions, from hot weather and extreme cold (33°C) to extra high and low humidity environments.

A total of 26 test and operational pilots took part in the tests, along with more than 60 engineers, technicians and flight attendants.

"Feedback from the operational trials cabin comfort, air conditioning, and in particular cabin noise was excellent," said Olivier Villa, Senior Vice President, Dassault Aviation Civil Aircraft. "Dassault has incorporated new innovations with the aircraft insulation which will allow us to lower the noise level by 2dB compared to the Falcon 7X, currently the quietest aircraft in the industry."

The three aircraft used in the flight test program are now being redeployed following the completion of the flight test and certification campaign, which totalled 833 hours over 408 flights.

S/n 01 will be used to certify Dassault's new FalconEye Combined Vision System (CVS) on the big new trijet and to certify use of the CVS in Dual Head-Up Display configuration. Dassault's FalconEye is the first HUD in the industry to blend synthetic and enhanced vision capabilities offering unprecedented situational awareness. Both approvals are anticipated in the third quarter 2016 and late 2017 respectively.

S/n 02 and 03 will be used by the company as demo aeroplanes.

Production is continuing to rampup to meet growing demand for the aircraft: 24 units are currently in final assembly at the company's Mérignac production plant near Bordeaux, and another 11 are in completion.

Barely two years from inception to reality

Derived from the popular Falcon 7X, the ultralong range Falcon 8X was unveiled in May 2014 at the European Business Aviation Convention & Exhibition and first flew on February 6, 2015. The 8X will offer the greatest range and the longest cabin of any Falcon, allowing it to fly passengers comfortably from Beijing to New York, Hong Kong to London or Los Angeles to Moscow nonstop. It will also share the 7X's exceptional operating economy and short field performance.

In addition to the quietest cabin and the most advanced digital flight control system in business aviation, the trijet will feature the largest selection of standard cabin configurations of any large business jet.

About Dassault Aviation

Dassault Aviation is a leading aerospace company with a presence in over 90 countries across five continents. It produces the Rafale fighter jet as well as the complete line of Falcons. The company employs a workforce of over 11,000 and has assembly and production plants in both France and the United States and service facilities around the globe.

Since the rollout of the first Falcon 20 in 1963, over 2,400 Falcon jets have been delivered. Dassault offers a range of six business jets from the twinengine 3,350 nm largecabin Falcon 2000S to its new flagship, the tri engine 6,450 nm ultralong range Falcon 8X.

Totally redesigned, the Falcon 8X cockpit will feature a new generation of EASy flight deck and offer an optional wide-screen head-up display.

"The 8X wing takes advantage of more moving control surfaces, including three leading edge slats, three airbrakes and two flaps. "

Contemporary & Classic dualpurpose Dining and Playing tables

A tradition of excellence in Antique and Contemporary Billiards

Renovating tables to the very highest standards ...

BILLIARDS

Sir William Bentley Billiards

Sir William Bentley Billiards are specialist dealers in the finest Antique Billiard tables and makers of the world's most beautiful Billiard, Snooker and Pool tables.

A family-run business, established for almost 40 years, that began with the restoration of Antique billiard tables, has earned an enviable reputation for bespoke Pool & snooker tables of the very highest quality, handmade in classic & contemporary styles to suit individual clients, all over the globe.

The craftsmanship, quality and bespoke nature of the business are widely known within the Interior design industry, and a significant number of the tables made are for Interior Designers and their clients. As a result, the table designs are increasingly diverse and contemporary, and the finishes, and attention to detail are subject to the scrutiny of this most discerning and demanding audience.

Long-time exhibitors at the International Interior Design trade show 'Decorex', Sir William Bentley Billiards tables have been a highlight of London's 'Grand Designs Live' since its inception, were long-time exhibitors at the House & Garden fair, and have also exhibited in the US, Middle-east and China.

This year they showcased the stunning bi-metallic, cantilevered 'Shadow' table at the Elite London and will be at Decorex in September and Grand Designs Live at the NEC in October.

A particular speciality is designing and making dual-purpose tables that combine top quality, slate bed playing tables with beautiful custom made Dining or Conference tables, to seat up to 20 people.

Of course, every table is individually hand-crafted to suit the style and period of interior décor, and whether the table is made from Walnut or Maple, Oak or Metal, in Classic or Contemporary style, the significant choice is which precision engineered mechanisms is used to transform the table; the Rollover or the Wind-up.

Antique tables are still a part of the business, and the business has a large stock of beautiful and unique tables, restored by the same craftsmen that make the new designs. It is the striking beauty of their most contemporary tables, however, that attracts the most attention.

This comparison can best be made by a visit to their workshops and showrooms, which are open 7 days a week by appointment, to see antique & modern tables and accessories side by side, and to witness the making process.

The companies showrooms, situated in the beautiful countryside on the borders of Berkshire and Wiltshire, house many of the world's finest Antique Billiard tables alongside exquisite examples of the Contemporary and Classic fixed height and dual- purpose dining & playing tables that are handmade in the adjacent workshops. One of the great joys of a visit to Marten is to see their team of craftsmen at work. It is fascinating to watch the processes of design, carving, marquetry, veneering, inlaying, polishing, metal and wood working, and to appreciate for yourself the skills involved in the creation of each table.

To enter the showroom is to delve into an Aladdin's cave of burr Walnut, rich rosewood and finely grained mahogany, maple, oak and ash. Intricate marquetry, polished metal, delicate inlays and beautiful veneers, lie side by side with fine Scottish leathers and English wool-nap cloth. Whether your search is for an Antique, second-hand, bespoke or replica table, for billiards, snooker or for pool, for a stunning contemporary rollover or an elegant wind-up dual- purpose table for dining and playing, you are sure to find either exactly what you are looking for or the inspiration to specify your very own custom-made and designed tables.

www.billiards.co.uk

BNY MELLON WEALTH MANAGEMENT

The Softer Side of the Evolving Canadian Family Office

Trevor Hunt

Anthony J. Messina

The concept of a single family office or multi-family office is fairly new to Canada compared with Europe and the United States. However, particularly since 2008, there have been an increasing number of family offices that have been created upon liquidity events. This is typically a result of family assets having grown considerably and required specialised expertise or due to first generation family members facing progressively more complexities and embracing sustainable wealth transfer to the next generation and beyond. Significant Canadian families have accumulated wealth through various industries, although, predictably, these have often been concentrated within commodities, real estate and infrastructure, and to a lesser extent, technology. Given that our firm's approach here in Canada is most similar to that of the investment arm of a multi-family office, we fully appreciate that no two families and no two family offices are alike. On a case-by-case basis there should be sufficient flexibility in deciding which functions are best serviced in-house by the family offices versus those services which should be out sourced, to ultimately maximise efficiencies and quality of services for the family. These decisions are fundamentally, but not always, dependent on size. Substantially larger family offices (over $500 million in assets) can attract talent which can make it economically advantageous to carry out a full-spectrum service whilst others may benefit from leveraging resources and intellectual capital collectively. The latter describes a multi-family office approach.

Putting the investment related activities aside, we are noticing an escalating demand for what some refer to as the "softer issues" within the family office environment.

These responsibilities may include:

1. Family governance – Most of us have heard of the shirtsleeves to shirtsleeves phenomenon whereby the wealth that has been created by the first generation is significantly diminished if not decimated by the third generation. Family governance formalises the process for preparing the family to receive the wealth, rather than merely getting the money ready for the family. The first step in this process is establishing open communications and trust within and across generations. A family office can play a key role here, in convening family "get togethers". These may start by being purely social gatherings and gradually progress to include more formal discussions and exercises. This could encompass collaboratively establishing a family mission statement, deciding on a family vision based on shared core values, and designing a code of conduct for future meetings. As the family grows in numbers and wealth, this often also includes defining roles and responsibilities, possibly codified in a family constitution.

2. Education – A key early step in preparing families for their inheritance is educating the beneficiaries so they become better stewards of their future wealth. This can start with basic instruction on different types of investments and does not stop at asset allocation and investment policy knowledge. It should however include: how to select an investment manager, that is, both quantitative and qualitative criteria with arguably a greater emphasis on the latter. One facet to be stressed is a deeper understanding of the motivations driving an investment manager's decisions. This can be achieved through asking the right questions e.g. how is the investment manager compensated? Does he/she have any of their own wealth invested in the underlying strategy? If so, what percentage of their own wealth is invested alongside their investors?

3. Philanthropy – Many financially successful Canadian families are generous and philanthropy is one area that is relatively easy for the entire family to be able to participate in. While it's nice to give family members the chance to allocate some of their charitable gifts to their own favourite causes, we have observed that families benefit on many levels when they dedicate at least a portion of their donations to "family philanthropy". By making a collective decision to contribute to a specific cause or causes that reflect the family's values, multiple generations participate in joint decision making in a feel good, nonthreatening way. If used correctly, philanthropy can be an effective tool for evaluating differing family members' communication styles and assist in nurturing decision making capabilities within families and across generations.

Like other regions, the evolution of family offices in Canada has given rise to peer group networking amongst affluent families who share with each other the challenges and the successes of operating a family office in order to establish the optimal practices that may be followed. For instance, earlier this month, one of the senior members of our team attended a private family office conference in the remote location of Banff in Alberta. The audience included family members and their advisors from around the country with representatives from Vancouver, Edmonton, Calgary, Toronto and Montreal. The agenda, for the most part, addressed these softer issues with an emphasis on people within the family office, family dynamics, governance and education. "By coming together in a forum such as this, families and their advisors can learn from each other to a. mitigate potential pitfalls and b. uncover any hidden opportunities, to effectively execute best practices." Said Trevor Hunt, Wealth Director at BNY Mellon Wealth Management in Toronto.

Although the financial assets of the family office may seem paramount, successful multi-generational families have demonstrated the value of developing human and intellectual capital as well. The softer issues cannot be ignored and are increasingly a focal point for family offices across the country. This is an area where leadership from a single or multi-family office can be a major plus.

Anthony J. Messina is the President of BNY Mellon Wealth Management based in Toronto. The Canadian business advises on nearly $5bn in assets primarily through third party investment managers and predominantly for significant Canadian families in addition to institutions.

www.bnymellonwealthadvisory.ca

BNY MELLON
WEALTH MANAGEMENT

LUXURY LONDON GUIDE

URBANOLOGIE LONDON CLUBS

founder: Hugo Campbell-Davys

A host of suave new members' clubs are opening their doors across London, offering a range of refined services to their business-orientated clientele. These are set to be the best new places to network and work for London's top city slickers and these are Urbanologie's founder Hugo Campbell-Davys's recommendations.

12 Hay Hill. A prominent Mayfair location is currently being transformed into this exciting new club, which opens in July. Offering luxury serviced offices and members' business facilities, 12 Hay Hill is capitalising on London's elite position in international business and commerce. Their vision is to attract a new community of international business people, who are looking to establish both a physical presence in Mayfair and to build an exceptional network of business contacts. The Club will also act as a hub for like-minded entrepreneurs and small businesses, seeking a high service office and a private social environment. In addition to state-of-the-art offices & private meeting rooms, the Club will offer numerous dining facilities, run by the acclaimed Michelin-starred chef Shaun Rankin. Be it in the downstairs bar & bistro, in the ground floor dining room or on the fabulous roof terrace overlooking Berkeley Square, 12 Hay Hill will guarantee culinary excellence on every level. For those not wishing to take a permanent office at 12 Hay Hill, social memberships are available, providing members with full access to the Club's business lounges and dining areas. Mark's Club: Originally opened in 1972 by the doyen and tastemaker Mark Birley, Mark's Club was later purchased by Richard Caring (along with Annabel's and Harry's Bar). But after seven years of ownership, the club is set for a shake-up, as Caring teams up with well-known entrepreneur Peter Dubens (founder of London-based Oakley Capital) and financier Charles Price (son of the former US ambassador), with big plans to reinvent the place.

Both businessmen have been behind several high-end businesses including KX, the exclusive gym in South Kensington, and - more recently - the stylish Dover Street restaurant Chucs Bar & Grill (with film producer and PR man Charles Finch). They were also former backers of Tom Aikens. With closure due this July, they are expected to re-open in September following an interiors refurbishment by world-renowned Paris-based designer Tino Zervudachi, who counts Mick Jagger and Sir Evelyn de Rothschild as clients. This forthcoming reiteration of this iconic destination is set to become one of the most exclusive - and talked about - serious networking clubs in London.

Neuehouse London. Self-styled as a private work collective, the New York members' club NeueHouse has announced that it will open in late 2015 in London's historic Art Deco Adelphi Building in Covent Garden. This follows the launch this spring of a Los Angeles location at the landmark 1938 CBS Radio Building.

NeueHouse debuted in 2013 in New York's Madison Square district, and like the original, the London venture - their first location outside the US - will be designed in collaboration between NeueHouse Design Studio and internationally recognized architect David Rockwell. The club, which provides a "workspace for creative people and entrepreneurs as well as events", requires the membership to be split evenly between men and women and does not advertise, instead attracting members from "film, fashion, design, publishing and the arts" by word of mouth. Facilities in the two-storey building will include private studios, a screening room, broadcast facilities, event spaces and private dining rooms. Interestingly the Adelphi Building will be home to another US import - the first overseas restaurant of the iconic American steakhouse Smith & Wollensky.

Devonshire Square Club. Bon viveur Brian Clivaz is becoming quite a patron of the new wave of private members' clubs. He was behind Home House and Dover Street Arts Club, as well as the co-founder of L'Escargot and the 'Upstairs Club'. Now he has his eyes on an exciting new venture: a members' club in the Square Mile.

Devonshire Square Club is set to comprise a club lounge, bars, 120-cover brasserie, private dining rooms, library with screening room, and hotel with 68 bedrooms, with an adjacent 18th century townhouse home to the club spa and gym. The Grade II listed Regency six-storey site is located in the heart of the City of London, an area traditionally considered the financial hub of the country that has seen dramatic transformation over the last five years. The new outpost of Soho House - in the former Midland Bank building – is also opening nearby.

Devonshire Square is a modern business estate with a unique historical past, made-up of a group of 18th-century buildings that were once the warehouses of the East India Company. The reconfigured estate includes a central courtyard with plenty of destinations restaurants and alfresco dining options, including an outpost of chicken and steak Hixter restaurant from Mark Hix and the award-winning Indian restaurant Cinnamon Kitchen.
With works underway, Completion is due summer 2016. "The Devonshire Square Club will be the focal point where those with Mayfair style and glamour meet East End chic. The Club will undoubtedly attract financiers and city professionals but will also be a natural haven for creative executives from Shoreditch and Hoxton. The Club will offer a sophisticated atmosphere in which to conduct business, relax and entertain," Clivaz said.

Ten Trinity Square. This iconic London landmark building and its neo-classical interiors has been meticulously restored by a team of experts commissioned by developers Reignwood Group (also the new owners of Wentworth Golf Club). Now this 1920s heritage property is set to house a Four Seasons Hotel - with 98 guestroom and suites many with breathtaking views of the Thames – as well as 41 private residences, a private members' club, two gourmet restaurants, and a spa. The private members' club at Ten Trinity Square, located in the original wood-paneled executive offices of the building, will offer members exclusive meeting rooms, a business centre, screening room, cigar lounge and access to the exclusive Château Latour room.

Urbanologie is a luxury lifestyle global destination guide, designed to keep you in the know with up-to-the-minute insider news and exclusive content on all of the latest restaurants, bars, pop-ups, clubs and hotels openings with exclusive access to the most happening and unmissable events; from the world of fashion, the arts, music and sport.

www.urbanologie.com

THE CHANGING FACE OF THE FAMILY OFFICE IN THE 21ST CENTURY

Global wealth is undergoing an unprecedented transformation." Such was the headline from the paper* published by Ernst & Young ('EY') earlier in the year regarding wealth management in 2018. This will not be a shock to anyone involved within the sector, but it does reaffirm the reality. Today's wealth managers need to adapt and evolve to meet the changing demands of clients and keep pace with stricter regulations and the breakneck speed of technology, if they want to thrive in the highly competitive global marketplace.

Anthony Page

EY report that one of the key factors driving change is an increase in the size and growth of the net investable assets of HNWIs, which according to them are expected to increase by around 25% to almost US$70 trillion by 2021. This finding, along with changing concerns regarding succession issues, increased transparency, cybersecurity risks and changes to taxation levels, have left many wealthy individuals finding the appeal of the Family Office an attractive proposition. However, in order to continue to remain relevant in these times of change, the Family Office also needs to evolve and ensure it will remain an attractive proposition for future generations.

A Family Office can offer wealthy individuals a raft of benefits which include: an integrated wealth management approach; philanthropy & charitable giving; succession planning and protecting and enhancing the family wealth for the next generation. Much has been reported in recent times about the largest intergenerational wealth transfer in history - from baby boomers (those born between 1946 and the mid-60s) to the millennials (born between 1980 and 2000) and the generational gap between the two, bringing with it much conflict and debate within the family unit.

For many families, the issue is one of a skills gap, with the next generation being ill-equipped to manage the family wealth. For others, it may be a lack of desire by their children to enter into the family business, preferring instead to pursue their own goals and ambitions. From my discussions with clients and advisors, it can be heartbreaking for the family in situations where there is no-one interested in taking on the family business. In such instances as this, the family may try to incentivise their children to become engaged, but where this often fails the only option is to resort to exit strategies or management buy-out. But this is where we, as a Family Office, come into our own. From the outset, we can add value by being the impartial voice that can ask the difficult but necessary questions, free from any emotional attachment.

"A rich person should leave his kids enough to do anything but not enough to do nothing." Were the words cited back in 1986, by US billionaire, Warren Buffett. Since then, many other high profile billionaires, such as Bill Gates, Andrew Lloyd-Webber and more recently Mark Zuckerberg, have followed this sentiment by pledging the bulk of their fortunes to charity and paving the way for their children to make their own way in life. That said, most will still inherit a sizeable sum that most of us can only dream about, but it does demonstrate change by some ultra-wealthy individuals and the lessons they are trying to teach the next generation about giving back to those less fortunate. Family Offices also assist with philanthropic and charitable giving, and so in addition to succession planning for family businesses, Family Offices will need to look to future-proof the goals and aspirations in this area. Alternatively, putting plans in place now with the next generation to combine ambitions in this area, particularly in the ever-changing social and economic landscape would be prudent.

Of course, the generational gap is also evident when it comes to matters of confidentiality and privacy. The digital savvy millennials are quite happy to play out their entire life in the full glare of social media, something which can have a detrimental effect on reputation and the privacy of wealthy individuals. Today, it is not just large corporations and governments who need to address the potential issues of cybercrime. High profile individuals, with sizeable assets, have also become attractive targets. So, our role in 2018, as a Family Office, has naturally expanded to ensure we support our clients and assist them in becoming properly protected, with crisis management plans put in place to address any potential data or security threats.

Reputational damage has also led to clients becoming more aware and interested regarding their financial affairs. Fully understanding what structures are in place for them, and in what jurisdictions, has also come about through an increase in regulatory requirements. New legislation, such as the Foreign Account Tax Compliance Act (FATCA), Common Reporting Standard (CRS) and the Trusts Registration Service (TRS) are just some of the more recent reporting requirements wealth managers must comply with to meet global standards. With all our clients, we have always adopted a collaborative approach to build trust, but this is even more important when considering intergenerational planning. We will always thoroughly review and ensure complete knowledge is gained before taking any action for the client. Business today is much more entrepreneurial and often transcends borders, so we need full disclosure to accurately advise.

This can often assist with clients considering longer-term investments, rather than short-term gains, which is particularly crucial for succession planning.

'Passion based' investments is one area where we are continually evolving our service offering. Classic cars, fine wines, watches, jewellery and art collections are all assets we have been required to manage. This particular investment field, coupled with the changing demands of clients, particularly with the next generation and their on-demand expectations, led to the creation of our 'Concierge Service' last year. The digital era brought service expectations into an 'on-demand' approach and this has been reflected in us now providing a 24/7 offering. Be that to organise the day to day administrative elements of managing fine wines or property estates, to assisting a family relocation and encompassing all which that entails: including property sourcing and acquisition; educational requirements for the family's children; life assurance; vehicle acquisition; medical registrations and much more.

In recent years, the rise of HNWIs in developing countries has been a hot topic. As a result of this increase in wealth, the need for Family Office services in regions such as Africa and the Middle East has soared. A recent business trip to Africa reaffirmed our ideas, but what became apparent is that the same conflicts and challenges are the primary concerns by wealthy individuals and their families the world over.

So what the future face of the Family Office will look like remains to be seen. As the Brexit negotiations continue to unfold and add to the uncertainty, we, like many other Family Offices, will continue to monitor the landscape and listen to our clients. Having our clients at the heart of all we do ensures we are prepared for the change ahead and enables us to continue to thrive in the global wealth management marketplace.

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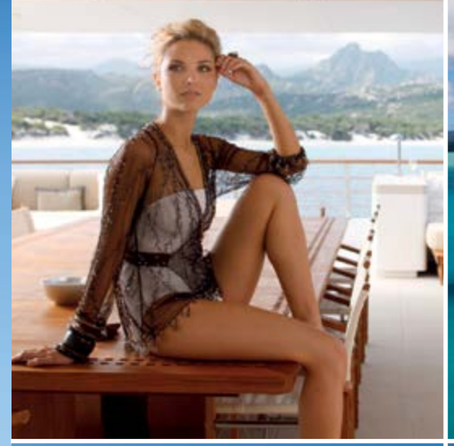

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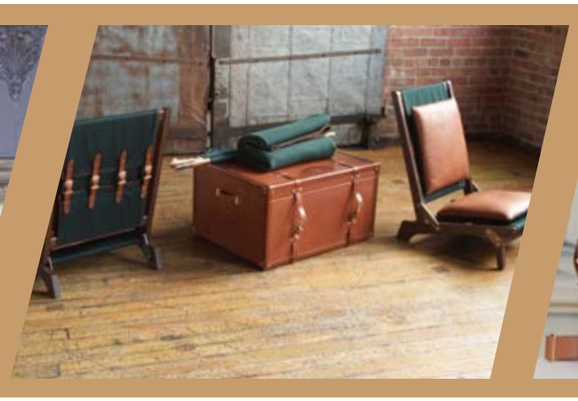
Founded in Connecticut in 1975

Ghurka has served as a symbol of superior American leather craftsmanship for forty years.

ABOUT FORTNUM & MASON
Founded in Picadilly, London in 1707

Fortnum & Mason has been at the heart of London life, supplying the very finest goods and services



GHURKA LAUNCHES IN U.K. AT FORTNUM & MASON IN PARTNERSHIP WITH THE GURKHA WELFARE TRUST

The event was attended by British actress, Joanna Lumley

The renowned American leather goods firm, Ghurka, launched its first international presence inside Fortnum & Mason in London. The opening marks the brand's 40th anniversary and coincides with Gurkha 200, the 200th anniversary of Gurkha service to the British Crown. The Ghurka curated space features a robust assortment of its daytime and travel goods, humidors, watch collector boxes and outdoor sporting items. Also available will be a selection of elegant accessories including wallets, pouches, and wash bags. The collection is showcased on Fortnum's third floor and displayed in fixtures that have been shipped from the Ghurka showroom in New York.

- THE GURKHA WELFARE TRUST
- SUPPORTS 6,667 RETIRED GURKHAS
- PROVIDES COMMUNITY AID PROJECTS
- MEDICAL CARE FOR RETIRED GURKHAS

"Fortnum & Mason is the perfect partner for our European launch," says Pam Bristow, Executive Vice President of Marketing and Brand Strategy at Ghurka. "The Piccadilly store is an international icon, a benchmark for excellence and represents the commitment to quality we hold as our standard." Later this spring, Ghurka will debut their G200 Collection, a capsule assortment of three styles from the Ghurka archives re-imagined in partnership with The Gurkha Welfare Trust, Britain's leading charity dedicated to providing support for impoverished ex-Gurkha servicemen and their dependants.

The bag designs utilize the famous green wool used in Gurkha uniform jackets in place of the brand's signature twill, and will be lined in red as a nod to the military flash worn by the soldiers. The range will be retailed exclusively at Fortnum & Mason in the UK, with 25% of all sales benefitting the Trust. Further to this, a bespoke "Officer's Field Set" consisting of a picnic table, two field chairs, a green wool blanket, two pillows and a picnic umbrella – all created by Ghurka master furniture craftsman Richard Wrightman – will be debuted. These will be sold at auction with 100% of proceeds benefitting the Trust. "We are delighted to form this new relationship with Ghurka, whose very name demonstrates their high regard for the ex-servicemen we support," states Karen England, Director of Fundraising & Communications for The Gurkha Welfare Trust. "The quality of Ghurka's products rivals the exceptional standards of Britain's Gurkha soldiers, and through our partnership we hope to raise significant funds in support of elderly and infirm veterans in Nepal."

To support the launch and the Ghurka partnership with both Fortnum & Mason and the Trust, the Gurkha Museum in Winchester has made possible the installation of a curated display of Gurkha regimental memorabilia for a Fortnum window installation and a display in the Ghurka shop.

"This London expansion is pivotal for Ghurka," states Ghurka CEO John Reuter. "The UK represents our namesake as well as the next step in global reach for our brand. We are honoured to have such distinguished partners alongside us in this launch and are excited to be able to serve our British customers in their wonderful city."

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