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LIAM BAILEY

GLOBAL HEAD OF RESEARCH AT KNIGHT FRANK

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WEALTH AND INVESTMENT TRENDS CONTINUE TO EVOLVE

Against an ever-changing political and economic backdrop, wealth and investment trends continue to evolve. The importance of wealth flows to real estate and investment asset performance means that an understanding of these trends is of critical importance to investors.

It will remain a constant

Despite a darkening outlook for the world economy, wealth creation will remain a constant in 2019. By 2023, an additional 43,000 people are predicted to be worth more than $30m – that's an increase of 22% in the global ultra-high-net-worth population in just five years.

Interestingly, political uncertainty seems not to have as significant an impact as may be expected. London, for example, has held its top spot as the leading global wealth centre in 2019, despite ongoing Brexit discussions, and it is home to the world's largest UHNW population.

UHNWIs expect to become wealthier.

Over the next 12 months, both the number and fortunes of wealthy people around the world will increase. Existing UHNWIs expect to become wealthier, and in Asia, the number of dollar millionaires is expected to exceed 20m for the first time this year. Following the region's strong economic performance – it hosts eight of the top ten countries with the fastest growing wealthy populations. India will lead the annual growth in millionaires (39%), followed by the Philippines (38%) and China (35%).

This increase in wealth will likely prompt governments either to try to attract more of it or seek to push it away. Italy is a strong example of the former, with its new 'non-dom' regime set to see a growing band of wealthy migrants attracted to the requirement to pay only a fixed tax of €100,000 on their worldwide income. Conversely,

Liam Bailey
Global Head of Research at Knight Frank

Singapore, Australia, New Zealand, Canada, the UK, and others are tightening the restrictions for wealthy non-residents looking to access their property markets.

Wealth will move around the world

Despite this tightening legislation, a record 26% of global UHNWIs will begin to plan for emigration this year. To help them, a record number of countries will offer citizenship and residency through investment schemes, with Moldova and Montenegro being the latest new wealth havens. As some governments race to attract wealth, a backlash will grow as the OECD and the EU, amongst others, increase their efforts to combat tax evasion.

Furthermore, investors will become increasingly active as wealth moves more rapidly around the world. Rising interest rates and the end of quantitative easing means property investors will become increasingly focused on income, asset management, and development opportunities. Over the course of this year, it is anticipated that

investors will increase their exposure to education facilities, student housing "last mile" logistics property, as well as targeting office investment in key tech and innovation markets.

Expect slower price growth in key luxury residential markets

With more markets seeing values fall in 2018, prices in luxury residential markets are expected to grow at a slower rate than in previous years. As values adjust, buyers will feel the balance of power shift in their favour. The search for deals will combine with currency movements to propel more purchasers into 2017's 'most unfashionable market' – London.

When it comes to identifying tomorrow's prime residential hot spots, few are better placed than Knight Frank's global team of local insiders. In the Knight Frank Wealth Report: https://www.knightfrank.com/wealthreport, the team, shares the lowdown on the neighbourhoods set to outperform the rest. This includes 18 neighbourhoods – thought-provoking options in traditional wealth hubs, such as London and Hong Kong, where Knight Frank has operated for many years, as well as contenders in more recent additions to our global network, such as New Zealand and the Philippines.

The line-up ranges from emerging tech hubs to new cultural quarters, taking in transformational factors from development projects to new transport links.

UNIVERSAL FILM AND FESTIVAL ORGANISATION

The Universal Film & Festival Organisation (UFFO) was founded to support and implement a code of practice for film festivals throughout the world. It is now dubbed 'FEST-COP', and its logo is now a familiar sight at many film festivals. The UFFO is a global not-for-profit voluntary organisation, and it created a "best business code of practice" for film festivals to combat the high level of corruption that blights the industry.

Its former president was the legendary actress Maureen O'Hara, and the organisation now has at least 240 film festival members.

UFFO's FEST-COP is entirely voluntary, free and easy to implement. Also, it is a blueprint for filmmakers in deciding which film festivals to do business with. Only film festivals that have subscribed to the UFFO best business code of practice are entitled to use the UFFO logo.

The organisation is now seeking a benefactor to help it move forward with its plans to further its remit and to create an online porthole to ensure filmmakers can deal with film festivals via a trusted source. The porthole will also act as a distribution platform and as an online TV channel for filmmakers to show their work.

Email info@uffo.org. - www.uffo.org

ROLEX BOAT TAIL

"Rolls-Royce Boat Tail is a pure expression of its owners' interests, influences and passions, with every detail minutely considered. We have enjoyed working with BOVET 1822 to create a pair of exquisite timepieces that also serve as Boat Tail's dashboard clocks. In doing so we have together created historically significant items of detail, precision, and beauty. These remarkable objets d'art, unique to the first iteration of Boat Tail, represent the finest examples of the skills and values shared by our two great luxury Houses."

The clock in a Rolls-Royce motor car frequently assumes a jewel-like status, often becoming a canvas for the client to tell the story of their commission in miniature. For Rolls-Royce Boat Tail, the recently unveiled, first of three, coachbuilt creations, in which every element has been created to the owners' exact specifications, this iconic centrepiece has been elevated to new technical and aesthetic heights.
In a spirit of warm collaboration, Rolls-Royce Motor Cars and Swiss master watchmakers, BOVET 1822, have created a pair of unique timepieces for Boat Tail and its owners. This ambitious undertaking brought together designers, engineers and craftspeople from both luxury Houses, in a magnificent demonstration of their shared values of excellence, precision, heritage, artistry, innovation and attention to detail.

The timepieces are unique to both the horological and automotive worlds. Made as a pair - in lady's and gentleman's versions - they are reversible, and housed in BOVET 1822's patented Amadeo case, which allows them to be worn on the wrist, or used as a table clock, pendant or pocket-watch, as well as being placed front and centre in Boat Tail's fascia as the motor car's own timepiece. Both are fitted with tourbillon mechanisms to ensure perfect accuracy.

BOVET 1822 initially earned its reputation making luxury pocket-watches for wealthy patrons in China; today, it is renowned worldwide for its exquisite timepieces featuring hand-painted dials, detailed engraving and finely finished visible mechanisms.
The timepieces, created for this first iteration of Boat Tail, have specially designed 18K white gold cases and feature matching front dials with the same Caleidolegno veneer found on the aft deck of Boat Tail itself, and are finished with the owner-couples' names. The gentleman's timepiece is highly polished; the lady's is ornately engraved then filled with blue lacquer.

On the reverse side, the dials are more individual. The gentleman's features an aventurine dial with the celestial arrangement of the night sky over the place of his birth on his birth date; the lady's is decorated with an ornate miniature painting of a flower bouquet on a mother-of-pearl dial. This design is a traditional BOVET 1822 motif, chosen by and personalised for the owner.

Both reverse dials have hand-engraved Bespoke sculptures of Boat Tail, complete with wheels, door handle, mirrors and other fine details. By working closely together, the teams at Rolls-Royce and BOVET 1822 were able to achieve a precise colour match between the lacquer on this tiny work of art and the full-size motor car.

Further close cooperation was required to ensure the timepieces conformed to the demands of their unique role as motor car clocks. In watchmaking, weight is rarely an issue for a complex timepiece, but in this instance, there was a limit on the combined permissible weight of the timepieces and their holders. BOVET 1822 met this requirement by creating an entirely new 44mm white gold case. In addition, the timepieces and holders also had to be tested to automotive-industry standards for vibration and crash safety – something never previously undertaken on mechanisms of this kind.

At a conservative estimate, the timepieces' design, engineering, sculptures, miniature painting, marquetry, bespoke movements and cases took a total of 3,000 hours to complete.

When a pocket-watch is left static in one position for any length of time, the effect of gravity on key moving parts can impair its accuracy. At the end of the 18th Century, watchmakers solved this problem by developing the tourbillon, where the escapement and balance wheel are mounted in a cage that slowly revolves, cancelling out the gravitational effect. In a wristwatch, the wearer's natural physical movements diminish the need for the tourbillon. However, when that same timepiece is mounted vertically in a car dashboard for many hours at a time, the tourbillon truly comes into its own.

BOVET 1822 is a specialist in tourbillion timepieces, for which it holds a number of patents and has received many awards including the Aiguille d'Or, watchmaking's highest honour. It is also one of the only companies in the watch industry to manufacture its own spirals and regulating organs. To reduce potential impact from the vibration from the car, the tourbillon has pivots rather than the traditional ball bearings; a heavier balance wheel and an increased oscillation rate to aid precision. Finally, the tourbillon bridge is finished with a miniaturised Spirit of Ecstasy handcrafted in gold.

JUST WHAT THE DOCTOR ORDERED

by Maria Pacella, Senior Vice President, Private Equity, Penderfund Capital Management

Could the next big tech name come from the healthcare sector?

The world's biggest tech companies have driven equity markets forward for much of the past decade. The seemingly endless "world's richest company" title fight amongst the "FAANG"s has pushed valuations to record-breaking levels; and while equity markets have slowed down somewhat, these companies are still well clear at the top of global market cap rankings.

Investor capital – from venture capital to family offices to large scale institutional investment – has propelled these companies to stock market supremacy. Not surprisingly, new enterprises continue to attract capital, as investors hope to get in on the ground floor of "the next Google".

For many investors and money managers of all stripes, this has meant scouring for seed and early-stage companies and betting on their future success, or later stage companies, spending a premium on the belief that they will continue to grow. However, there is another stage of a company that often gets overlooked amid the hype surrounding trendy startups and household names like Uber or Lyft.

Private companies that have a commercialized product generating sales revenue but may not yet be profitable and therefore still require capital to accelerate growth are, we believe, at an "inflection stage," between early and later stage companies.

Inflection stage companies represent a road into the technology space for family offices without having to take on the volatility and risk of entering through unproven startups and the high costs involved in looking at names in the overly crowded late-stage arena.

A deeper dive into these smaller tech companies at this inflection point reveals a whole new world of strong businesses that have achieved market validation, which could very well be future market movers.
Taking the healthcare sector as an example, rising costs, among other factors, have driven the industry to turn to technology to develop new solutions to old problems.

The convergence of health and tech has become one of the fastest growing subsets of the technology sector more broadly, with early and inflection stage companies engineering products specifically to meet the shifting needs of healthcare professionals. This cooperation is resulting directly in innovations that will help drive forward advances, not only in the quality of patient care, but also in earlier diagnosis and preventive medicine. These solutions represent some of the highest potential for disruptive technologies going forward.

One such example is Clarius Mobile Health, a Vancouver, Canada-based medical imaging company that makes handheld ultrasound imaging scanners, capable of connecting with iOS and Android devices. The devices are completely portable and capable of producing high-resolution ultrasound images from virtually anywhere, sending data instantly to the cloud for analysis at hospitals and other medical institutions.

In developing this technology, Clarius, like many of its peers in the health-tech and biotech space, is responding directly to calls from medical professionals looking for easy-to-use and more cost-effective solutions. "Long term, there is a strong indication that every doctor will be using these small devices as AI-driven visual stethoscopes," said Laurent Pelissier, Chairman and CEO, Clarius Mobile Health.

On top of the potential for these products to be life-changing and life-saving, the market for these innovations in the North American healthcare sector is massive, let alone global. In truth, it's precisely the long-term potential for growth in this sector that makes it so attractive as an investment opportunity.

According to Signify Research, a UK-based provider of health-tech market data and analysis, the current global ultrasound market is valued at around C$6 billion, and a high-performance, ultra-portable scanning unit has the potential to move the market beyond patient care towards early diagnosis and preventive medicine.

Like many consumer-facing technologies, health-tech advances that make everyday tasks more effective and less expensive for medical practitioners and hospitals will likely continue to draw interest. Change may accelerate as both the potential of current technology becomes known and the pace of technological change makes more things possible.

However, it's not just innovation in medical equipment driving this growth either. Evolution in artificial intelligence and "big data" driven technologies are also helping transform everything from patient record management to faster, more accurate cancer diagnosis and treatment options.

Yet many of these companies are relatively small and, more often than not, have yet to go public. While it remains entirely likely that "the next Google" is still a private company, outside of traditional venture capital (which continues to be geared more towards start-ups than inflection stage companies), in our view this subset of the technology sector remains relatively underserved by investors.

Maria Pacella is Senior Vice President, Private Equity, with Vancouver-based PenderFund Capital Management Ltd., and Portfolio Manager of the Pender Technology Inflection Fund. Maria has over 20 years' experience in the technology and venture capital space, serving in both investor and financing roles, as well as on the operational side of early-stage companies.

Penderfund Capital Management

THE LONG GAME: MANAGING RISK OVER GENERATIONS

By Matthew Wesley, Director, Wealth Strategist, Merrill Lynch

The CEO of a large family office sat back in thoughtful reflection. The question on the table was, "What is the greatest risk to the wealth you manage?" After a pause, he responded with a complex answer about economic cycles and long-term investment horizons. We challenged a key assumption behind his answer. "In our experience, the greatest risk to the long-term sustainability of wealth – by a wide margin – is the psycho-social dynamic of the family." After thinking it over for a moment, he agreed. "I never looked at it that way, but you're absolutely right," he said. "What, then," we asked, "are you doing to mitigate that greatest of risks? Who is qualified and laser focused on that issue?" The answer? "No one."

This CEO is not alone. Historically, few family offices have addressed this critical challenge, but that is rapidly changing. More and more family offices are recognizing that if the rising generation does not develop the capacity and capabilities necessary to sustain wealth, the wealth will rapidly erode. A growing number of family offices are hiring Chief Learning Officers (CLOs) or retaining outside professionals who function in that role.

Many think that the primary focus of the CLO is on the work of preparation. The work of preparation is centered on building skills or capabilities. It involves teaching financial literacy, portfolio construction and investment management, understanding the characteristics of assets in the family's portfolio, wealth structuring, taxation, and the like. Family members will often attend training sessions and boot camps. Here, the astute CLO goes beyond academic work to generate experiences and learning opportunities that put skin in the game and simulate, to the closest extent possible, the actual implementation of these learned skills. The CLO is often a coach and facilitator in this process.

However, instilling capabilities is only the tip of a very large iceberg. With the ever-accelerating rate of change, the rising generation will face challenges that were undreamed of by prior generations. Training for skills acquisition merely develops the competencies needed to address past challenges. The challenges of tomorrow require more than mere competency. They require capacity development. This work of capacity development, then, is the core charge of the CLO. This means that the CLO is ultimately charged with the intentional development, enhancement and even transformation of family culture.

Cultural work means that the effective CLO must have a unique skill set. The CLO must command respect within the complex culture of the family. Family members have different agendas, different perspectives, different aptitudes and different needs. They often have a wide range of attitudes about wealth and varying skills in managing their own finances. They also vary in their understanding of the legal structures and levels of control and discretion they have with respect to these entities. They also have different relationships with each other, with their parents and with the family office. All of this creates a complex cultural stew.

Capacity development involves generating - within this stew - a family culture in which family members thrive. Its baseline outcome is resilience. Its upper reach is flourishing. In-between is productivity, contribution and growth. Creating this generative cultural environment requires a focus on well-understood and developed qualities of organizational development, but tailored to a family context: visioning, decision-making, attunement, policy formation, collaboration, appraisal, accountability and, ultimately, intentional learning. The goal is to forge the rising generation into a "learning community" or "learning family" in which family members will experiment, debate, observe, dream, plan and act together.

If the family is fortunate enough to have skilled family leaders, the CLO will work very closely with them. These "Family Champions" are committed not to business or investment performance, but to the continuity of the family as a family into the next generation. These partnerships – and the leverage they create – are often essential to the work of developing both capacity and capability in the rising generation. Such family leaders enhance and accelerate the work of the CLO.

Given the wide-ranging skills required of a CLO, a core challenge the family office faces is finding truly qualified individuals. An effective CLO will have multi-disciplinary fluency in organizational and leadership development, coaching, facilitation, family dynamics, governance, business, law, conflict resolution, design and education. This is a rare repertoire of skills, and very few CLOs will tick all the boxes, but even more important than ticking every box is that they themselves are voracious and adaptive learners. Both the family office and CLO recognize that no one person will ever be fully equipped for every challenge, but a self-authoring CLO can equip herself as the future emerges.

This focus on cultural curation makes the CLO an anomaly within the family office, where most people are focused on the technical jobs of managing wealth. Most CEOs of family offices have come to their positions through these technical professions (finance, law and investments being the pre-eminent routes). CEOs quickly realize that the job they are in requires far more than their traditional professional education and career prepared them for. That said, their focus of necessity remains on the institutional structures, functions and tactics at the core of the charge of the family office. Almost everyone else in the office is fundamentally focused on technical, not cultural, issues. The CLO, thus, is often on his or her own, with few in the office fully understanding or even appreciating the work they're doing (at least initially).

If the CEO understands the vital strategic importance of the CLO's work in developing a healthy family culture, she will serve as advocate and protector. By building the capabilities and capacity of the family and interceding in family dynamics, a good CLO makes the CEO's job much easier because family dynamics stabilize and are addressed in real time. When the family becomes enrolled in this work, it stands a fighting chance of mitigating that greatest of long-term risks to family wealth.

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ROLLS ROYCE

Rolls-Royce Motor Cars will unveiled its latest Collection Car, Wraith Eagle VIII, on the shores of Lake Como at this year's Concorso d'Eleganza Villa d'Este.

ROLLS WRAITH EAGLE VIII ROYCE

by Kevin A Murphy

ROLLS-ROYCE UNVEILS WRAITH EAGLE VIII COLLECTION

Within, the finely executed interior mirrors the exterior hue. Selby Grey and black leather are accented by brass, redolent of the brass sextant so integral to the success of the transatlantic journey. Executed in a contemporary fashion, the material populates key areas throughout the cockpit of the Collection. Brass speaker covers depict the estimated flight distance of 1,880 miles and 'RR' monograms are embroidered in brass coloured thread onto headrests. A flash of brass complements the navigator door paniers, whilst the door of the driver includes a brass plaque with Churchill's quote commending the duo's remarkable achievements.

Rolls-Royce Motor Cars will unveiled its latest Collection Car, Wraith Eagle VIII, on the shores of Lake Como at this year's Concorso d'Eleganza Villa d'Este. Created by the Bespoke Collective at the House of Rolls-Royce, a Collection of just 50 Wraith Eagle VIII motor cars will tell the epic tale of one of the most pivotal moments of the 20th century.

Captain John Alcock and Lieutenant Arthur Brown braved uncharted skies to make the first non-stop transatlantic flight in June, 1919. Contemporaries of Sir Henry Royce, Alcock and Brown flew non-stop from St. John's, Newfoundland to Clifden, Ireland in a modified First World War Vickers Vimy bomber aircraft. The bi-plane was powered by twin 20.3 litre, 350 bhp, Rolls-Royce Eagle VIII engines. It is from this remarkable engine that this Collection takes its name. Rolls-Royce marks the 100 year anniversary of this feat with a highly contemporary Collection that speaks to today's adventurers, whilst honouring those who changed the course of history.

"I do not know what we should most admire - their audacity, determination, skill, science, their aeroplane, their Rolls-Royce engines - or their good fortune", commented Sir Winston Churchill, following the perilous journey that brought unfathomable advancement to 20th century society.

Alcock and Brown established a legend and gained a place alongside Donald Campbell, CBE in the most select club in the world; those who push beyond previous conceptions of human endeavour to achieve seemingly impossible records on land, water and now, air. Their one binding characteristic? Rolls-Royce power. The duo suffered every conceivable challenge an aviator could face. The Rolls-Royce Eagle VIII engines were the only components that proved indestructible. The engines propelled the aerial voyage at previously unimagined

speeds, averaging 115 mph. Their peril cannot be underestimated. Their radio and navigation instruments failed almost immediately, leaving the pilots flying unaided at night through dense cloud and freezing fog for many hours, sometimes upside down. Eventually they emerged from the cloud and using Brown's extraordinary skill as a navigator, flew by the stars to the coast of Ireland.

Torsten Müller-Ötvös, Chief Executive, Rolls-Royce Motor Cars, commented, "Wraith Eagle VIII is at once an object of desire; an homage to heroes and a protagonist to today's visionaries. This Rolls-Royce Collection demonstrates the extraordinary skill of our Bespoke Collective at the Home of Rolls-Royce in Goodwood, West Sussex. Bespoke remains the jewel in the crown of the marque, creating luxury items that defy the trend of mass luxury manufacturers using 'tick-box' options to answer customer demand."

BEYOND IMPOSSIBLE: SUZY AND JAMES CAMERON ANNOUNCE PLANT-BASED FOOD BRAND "OMD FOODS"

OMD Foods is not another "Plant Patty" company, but rather a global platform of plant-based companies offering investment in food, clothing, cosmetics, and more.

Food Is the New Internet, and It's Only Just Begun

Recently, the plant-based burger company Beyond Meat enjoyed the most successful IPO of 2019 and has a current market value of around $3.77 billion. Plant-based meat patties created by brands like Beyond and Impossible are becoming featured menu items for industry giants like White Castle, Carl's Jr., Burger King, and McDonald's.

The successful IPO is an indicator of the voracious and expanding consumer appetite for plant-based foods and protein alternatives. In fact, the alternative meat industry is expected to reach 40B by 2030 — a measurement that resonates with the growing flexitarian (i.e., a person who eats primarily fruits and vegetables with occasional meat/fish) consumer segment. Capturing that market requires mastery over taste, price, and convenience, and with its unique vertically integrated platform of companies, a new company, OMD Foods, has focused on these key consumer drivers and continues to iterate ad infinitum.

Beyond Just a Burger: An Agricultural Renaissance

Animal agriculture is the leading driver of extinction on the planet. With nearly one-third of the Earth's land being used to support the inefficiencies of animal agriculture, it's been said that we are, quite literally, gambling with the future of our planet for the sake of hamburgers. Shifting consumer trends toward plant-based alternatives can't come quickly enough for future generations of consumers, farmers, and investors. But where Beyond and Impossible address a narrow market segment with their patty alternatives, OMD Foods has positioned itself as a plant-based food platform poised to manufacture a diverse line of plant-based food products. OMD Foods was founded in 2012 by Suzy Amis Cameron, along with her husband, director James Cameron, with the simple goal of helping consumers fall in love with plant-based food. The platform is expected to grow exponentially after the initial 50 SKUs, offering not just burgers, but snacks, plant protein butters, meals, desserts, pasta and sauces, and much more.

An Inspired Beginning Leads to a New Narrative in Food

OMD Foods was inspired by Suzy Amis Cameron's One Meal a Day eating initiative, which encourages people to swap one protein-based meal each day for something plant-based. Suzy's mission was to create a company that makes plant-based cuisine that's delicious, convenient, and accessible — for the good of our health, and for the good of the planet's health.

After commissioning one of the largest protein fractionation plants in North America and aligning with strategic partnerships with the global ingredients solutions company Ingredion (NYSE: INGR), OMD Foods has established a supply chain of production that not only is held to Suzy's own rigorous standards, but also produces unique products within the plant-based food industry. Today, OMD Foods produces food that is consumer ready, delicious, sustainable, and traceable from sun to plate — and it all started with the Perfect Burger.

As American as . . .

The hamburger is a delicious symbol of Americana — one that deftly sidesteps the regional elitism attached to other classic American fare (barbeque). It's a staple item that's enjoyed during some of life's best moments, with the people we love the most. When OMD Foods set out to create the plant-based Perfect Burger, their goal was to create a product worthy of life's best moments.

OMD Foods' Perfect Burger is the culmination of years of research and development into plant-based meat alternatives. The unique plant blend that comprises the burger contains all 22 essential amino acids, and zero saturated fats. And the Perfect Burger's patented recipe delivers the flavor and texture of the classic American burger we all know and love, but without the associated health and ethical concerns. With a taste that's almost indistinguishable to meat, the Perfect Burger serves as a delicious introduction for consumers to become acquainted with the unparalleled quality and flavor of OMD Foods' range of plant-based products.

Stepping Onto the Ground Floor

The Perfect Burger is just the beginning of a fantastic rollout of plant-based products from OMD Foods. It's an exciting time for a company on the cutting edge of a global revolution. By anticipating the world's desire for traceability in its food supply, the Camerons began laying the groundwork for a food-based blockchain years ago. For investors looking to broaden their portfolios with socially impact companies, OMD Foods presents an immediate opportunity. The transition to plant-based diets has moved beyond fad and is becoming a way of life for consumers, and OMD Foods has positioned itself as a comprehensive source of plant-based products for this exploding market.

When we step away from the table and visit the aisles of our local grocery store, the shelves are quickly filling with plant-based products. The number of new U.S. food and drink products that mentioned "plant-based" grew 268 percent between 2012 and 2018, according to consumer research company Mintel — and the diversity of products is stunning. Plant-based cosmetics, pea protein-based shakes, and oat milk are just the tip of the iceberg.

The demand for plant-based products is so significant that Walmart has requested its suppliers focus on delivering additional product SKUs — this is the world that OMD Foods was built to serve.

Today, OMD Foods produces food that's consumer-ready, healthy, delicious, sustainable, and traceable from sun to plate. It's a paradigm shift in food production that aligns with the ever-growing consumer trend of engaging in ethical and sustainable food consumption for the betterment of our planet, and ourselves.

Author Bio: Barry Didato is Senior Advisor to the James and Suzy Amis Cameron Family Office, specifically for the global expansion of their platform businesses, which are fundamentally changing the way people approach education, nutrition, wellness, and sustainability.

barry@barrydidato.com

SAY MY NAME

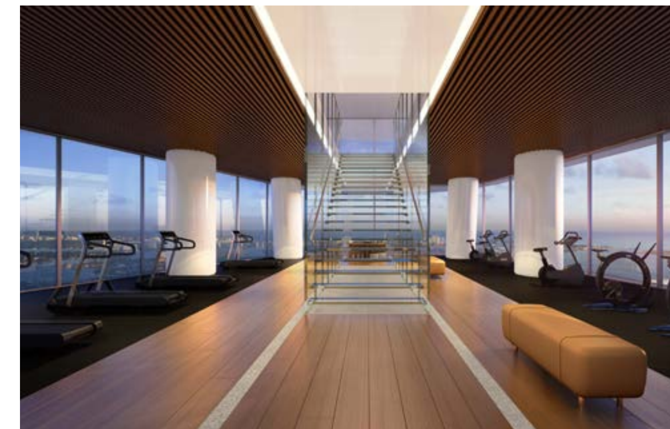
BRANDED RESIDENCES

By Laura Henderson, Managing Editor, Abode2

For high-net-worth buyers motivated by that elusive, yet highly-prized investment attribute – peace of mind - the concept of a managed property certainly ticks all the right boxes. Buying overseas can be complicated, so a development footprint from a trusted source that has already done the due diligence leg work is understandably appealing. The conversion ratios for branded property purchases speak for themselves too. Fast tracking as one of Europe's strongest emerging investment trends, the number of hotels now offering labelled residences is up tenfold in the decade to 2012, with a forecast for dynamic mainstream growth in key Mediterranean destinations in the next five years. Further afield – the market in the Far East is currently valued at over $16 billion, with hot spot destination Thailand leading by example. There, branded residences are expected to account for 37% of future development projects.

Current high-style incarnations have certainly come a long way from their 1980s condo stateside roots, most notably the growing number of 'stand-alone' branded initiatives underway. Take Four Seasons in London, fresh from completely refurbishing Ten Trinity Square overlooking Tower Bridge with a new hotel and residences, and now about to launch its first residential property offering at 20 Grosvenor Square in the heart of Mayfair.

Motivational drivers are understandably key to moulding and shaping the offering. These not only include above-the line quantifiables - top-notch facilities and high-quality guest services, professional property management, access to an environment of like-minded people, but also the expectation of increased chances of capital appreciation, rental returns and better resale potential.



Design is a critical influencer too. Increasingly, rarefied names in the fashion and design world are being lured to lend their makeover expertise, a case in point – funky developer brand Yoo, who is partnering with names like Kelly Hoppen and Jade Jagger to market its holiday homes.

Perhaps the trickier part of the equation is successfully addressing growth driven by a desire to satisfy evolving 'below the line' priorities, intuitively appealing to buyers' emotions – the experiential part of ownership. As consumers, we're certainly more 'home comfort' conscious these days. As such, a high-performing development must be driven by exceeding customers' evolving requirements and desires. Increasingly these have been shifting towards the 3 Cs - convenience, confidence and after-care – and, from the evidence, this trend is firmly set to continue.

Not surprisingly, the turnkey ease of branded ownership translates to top drawer prices. Branded properties normally sell for 20-30% more than non-branded equivalents, a key consideration, particularly in an uncertain market, where buyers are seeking reassurance of quality, but also value for money. The established relationship and loyalty forged with a known and trusted label can certainly offer an investment edge. Buyers just need to be sure that the premium price tag pays its way.

ONES TO WATCH

ASTON MARTIN RESIDENCES, MIAMI
Aston Martin has recently broken ground on a 66-storey waterfront tower in Biscayne Bay, with residences ranging from $700,000 to $50 million for a penthouse.

"Aston Martin designs sports cars for those who appreciate automotive fine art, so it was a natural progression for us to extend our expertise in design, materials and craftsmanship into a project of this calibre," says Aston Martin's vice president and chief marketing officer, Simon Sproule.

Rising from one of the last parcels of available land along Miami's waterfront, the 66-floor ultra-luxury skyscraper will tower above its neighbours. The development's expansive one- to five-bedroom apartments will be complemented by seven penthouses – including two-storey duplexes and a three-storey triplex – all enjoying private pools and spacious terraces.

Highlight features will include doors with bespoke artisan Aston Martin handles, number plinths and kestrel tan leather door tabs. Resident perks comprise 24-hour valet service, an art gallery, fitness centre, movie theatres, and an infinity pool on the 55th floor. Owners of top-tier apartments will receive a special limited-edition Aston Martin 'Miami Riverwalk' DBu and the buyer of the $50 million penthouse will be handed one of the most sought-after cars on the planet - a $2.3 million Aston Martin Vulcan; perks that perhaps confirm why the property is already 35% percent sold even though the project is three years from completion. www.astonmartinluxuryresidences.com

MILENNIUM BINGHATTI RESIDENCES, DUBAI
The AED400 million Millennium Binghatti Residences project on the Dubai Water Canal in Business Bay is a combined effort of Binghatti Developers and the esteemed Millennium Hotels and Resorts, a company that has built a stellar reputation for opulence and ultra-luxury accommodation.

Comprising 230 units including studios and spacious one and two-bedroom apartments, hotel-inspired facilities are all part of the owner service offering including concierge, daycare, catering, laundry, housekeeping and maintenance services.

"Residences are assets for savvy investors aware of the large rental revenues and prosperity of this thriving region," says Muhammad Binghatti, CEO and head of Architecture at Binghatti Developers. "Apartments deliver the very best in comfort and convenience for every resident."

Property prices start at AED625,000. 60% of units are now sold following market launch in spring 2018, with project completion slated for June 2019. www.binghatti.com/millennium

HALF MOON BAY, ANTIGUA
The Caribbean's first new resort of calibre for decades, investors can scoop up one of the luscious 44 branded beachfront residences at Half Moon Bay on the island oasis of Antigua, decked out with the highest standard features that guests of Rosewood Hotels and Resorts have come to expect.

Buyers can also take advantage of the bespoke build option; an opportunity to select, design, and build their retreat on the half-mile beach, on the cliffs, or near the hotel – complete with access to the full panoply of Rosewood Half Moon Bay amenities, services, and immersive experiences.

Construction is directed to have minimal impact on the landscape, with single storey buildings and the retention of indigenous foliage.

"The benefit of ultra-luxury means you can put a less significant footprint on the land, in this case we have just 40 villas and ten plots of land," explains Half Moon Bay CEO, William Anderson. "These are not big numbers, which makes Half Moon Bay compelling for people who want a truly singular experience.

"There's no other place you can buy on top of an 80-foot cliff that overlooks a world class beach and coast to one side, and a stunning resort. This is a once in a lifetime investment opportunity."

Plot prices range between $10 and $25 million, branded residences from $3.5 - $15 million. www.halfmoonbayantigua.com

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ENGAGING THE NEXT GENERATION IN FAMILY PHILANTHROPY

Sustaining and growing the family legacy across multiple generations is a key challenge for wealthy families all over the world.

Most, if not all families know that their legacy depends on their ability to prepare younger family members to succeed them and continue the family mission. However, many do not know how to do this and become deeply concerned their legacy will dissipate as a result.

A family's legacy is so much more than just its wealth, it is also its reputation, influence, and actions in business, community, culture, and philanthropy. It is a reflection of the family's united identity, often evoking stronger emotions in all family members, as compared to simply sustaining family wealth. The legacy should convey what the family stands for and what kind of global impact they want to have.

For many families, philanthropy provides an excellent opportunity to prepare the next generation to succeed. This is because philanthropy is typically the 'glue' that binds a family together in shared values and interests.

There are a number of benefits to engaging younger family members in philanthropy. When family philanthropy is strategically planned and run like a business venture, it can provide a low-risk environment for the next generation to learn and grow. Younger family members who are involved in the family foundation may develop skills in asset management, governance, and also have a clearer sense of their own philanthropic interests and experiences.

Beginning the discussion

The motivations that drive philanthropy are deeply personal, and therefore family members may take disagreements or constructive criticism personally.

Older family members may believe that younger members are not interested in philanthropy, want little to do with the responsibilities, or do not yet possess the required skills. Equally, the next generation may view their family philanthropy as elusive at best or a burden at worst. They may lack understanding about philanthropy or feel uncertain that the older family members even want their involvement, or if so, what that would entail.

While each family's discussion will be unique, the aim for all families is to gain acceptance and buy-in from both the next generation and maybe more importantly from the older generation, as new ideas can lead to change and disruption in the status quo.

Speaking openly about the family's shared values and what distinguishes them from other families can help clarify areas or causes that are important to them, how they define success, and the communities and regions that they want to focus on. If the family is already giving in some capacity, a discussion on track record is also advisable.

Using this time to brainstorm new ideas and areas of interest and focus can help families define or refine the legacy and mission of their philanthropy, forming the basis for giving and investment guidelines.

Consensus should be reached on governance. The next generation should provide input on the decision making process, types of decisions that will need to be made, who will be responsible for those decisions, and how much latitude will be given to make them. All family members should agree on how involved each family member will be, their expected time commitment, and availability. The most important outcome of these discussions is for both generations to truly understand each other's motivations and philanthropic aims and find common ground that resonates with each group.

Actionable engagement

Families who have successfully handed over their philanthropy to the next generation started with some of the following methods.

Professional development and nonprofit board service

Access to conferences, workshops, peer groups, and network events helps guide the new generation in their professional development. Serving on a board of a nonprofit provides valuable training, but also helps the new generation to see things from another perspective.

[1] "Opportunity of a Lifetime 2.0: Multigenerational Family Philanthropy", National Center for Family Philanthropy, 2017, Kylie Musolf and Danielle LaJoie.

Discretionary Grant Program

A family allocates a sum of money to next generation family member(s) for either their individual grant making or in collaboration with each other. This allows the next generation to research initiatives they care about, and develop necessary skills to understand grant making and the nonprofit sector. It gives them the autonomy to support initiatives that may be outside the scope of the family mission and in a collaborative context it teaches them how to work together to pool and allocate resources.

Grant Matching Program

Under this model, any donation made by next generation family members to a nonprofit will be matched with additional funds from the family foundation.

It can also be used as an incentive to foster volunteerism. For example, for every portion of volunteer time with a nonprofit, a selected monetary amount will be donated to the nonprofit, matching the volunteer hours to the dollars given.

Observing member

As an observer without voting rights, next generation family members are offered a seat on the foundation's board or advisory committee. This allows the family member to observe the board/committee in action, provides them the opportunity to contribute to discussions, and serves as a stepping stone towards full voting participation on a board/committee.

Junior (Next Gen) board

With several younger family members to engage, setting up a grant making board operating separately from the foundation board or granting committee is good way to cultivate the new generation. They are typically given a modest amount of funds with which to allocate and can be supervised by a current board member or self-governed. This method encourages collaboration and instills sound governance practices.

Practical experience

Participation in occupational training programs of a family foundation or site visits to family-supported nonprofits give the next generation the opportunity to work alongside foundation staff. This hands-on experience helps the next generation understand programs supported by the family's philanthropy and learn internal foundation operations.

Final thoughts

Philanthropy in and of itself can be very rewarding. When the whole family is engaged it really creates the opportunity to enrich the lives of all family members. Not only can these discussions be a wonderful way to bring families together, but and in many instances they bring families closer.

Written by,
Karen Kardos, Head of Philanthropic Advisory,
Citi Private Bank
Money K, Head of Next Generation, Citi Private Bank

TIME IS MONEY

By Alex Balcombe, director at Harris Balcombe

A LOSS ASSESSOR'S ROLE IN DISASTER RECOVERY AND RISK MANAGEMENT

"Time is money" is an overused but eternally true expression. In both their personal and work lives, ultra-high-net-worth individuals often have little time to spare for mistakes or mishaps. This is especially true for those whose wealth is tied to family businesses. The lines between home and work are often blurred, making it difficult for these individuals to switch off and keep up with the seemingly never-ending responsibilities and demands on their time.

Therefore, efficiency, from the top down, is essential for businesses to run smoothly – especially when it comes to competing with larger corporate and publicly traded entities. The protection of wealth and business assets requires careful planning, constant vigilance, and regular risk mitigation. This becomes even more essential when multiple generations of a family's net worth are linked so closely to their livelihood. Preparation and clear plans must be in place in case the unexpected occurs.

While most elite family businesses adopt best practices and have thorough recovery plans in place to combat natural or human-made disasters, these processes often rely heavily on trusting the family insurance broker to support the growth and re-building of company assets. This, in and of itself, can be a risky strategy for avoiding disruption when businesses are hit by the unexpected. Many brokers offer excellent support in the wake of such tragedies, but their expertise in managing assets, relationships, and policies does not always extend to dealing with minimising disruption to the business in the aftermath of a flood, fire, or other destructive incident.

For these reasons, UHNW owners of family businesses - and those who manage their assets - may benefit from having a loss assessor at the top of their emergency contact lists.

Recover and rebuild – minimising interruption with a loss assessor

A loss assessor's expertise lies in helping businesses and individuals rebuild and recover from disasters, keeping any interruption to their business and day-to-day lives as minimal as possible throughout the process.

The role of a loss assessor is to work as a truly independent consultant, applying their knowledge, experience, and extensive networks to advocate for their clients. They facilitate the recovery process by supporting businesses and individuals with strategies to manage the collateral impact and damages for their individual case and ensure the best possible settlement of an insurance claim.

A good loss assessor will apply their expertise to spot the opportunities business owners and brokers are likely to miss – going beyond helping to recover losses suffered. It's their role to present the facts of each case in order to maximise the opportunities available under the terms of the insurance policy, as well as identify the key issues to focus on. In summary, they work tirelessly to advise business owners on how to mitigate any further losses.

When necessary, a loss assessor also helps locate appropriate temporary business premises or homes. They also look at alternative subcontracting arrangements for rebuilding. They can recommend temporary options for damaged machinery in circumstances where permanent replacements have a long lead time.

In essence, a loss assessor takes the stress and work away from the individual or business. They work with all parties – from insurance brokers, investors, and companies, to contractors and builders – to ensure the recovery and rebuilding of assets in the shortest amount of time possible.

Planning ahead and mitigating risks

While they are huge advocates after a disaster, a loss assessor can also be a strong ally when it comes to preparing a family business for the worst. If consulted in advance of a disaster, they can advise their clients on how to best ensure all their valuable assets and protect their IT systems and staff from cyber threats. Thus, if the unexpected does occur, the claim can be handled with minimal disruption to business and everyday life.

A big part of managing and mitigating risks and protecting family and business assets is to be prepared. The creation and implementation of a clear disaster recovery plan alongside open lines of communication with appropriate parties well in advance of any incident is crucial.

At the very start of this process of preparation is properly investing time in working with a trusted insurance broker. This is particularly important when it comes to more complicated policies like cyber insurance. For cyber insurance, it is recommended to consult a trusted IT expert and get them involved in implementing counter measures in accordance with your policy. Product selection is key, and with insurance, it is often a case of 'you get what you pay for'. Cutting corners or looking for deals can be risky, as the terms and coverage may not be a good fit for more complex business needs.

This relationship with an insurance broker needs continued communication and the development of a clear understanding. Once a business or individual has analysed where they are potentially vulnerable or exposed, they need to work together, with the help of a trusted broker, to find a policy that fully covers all these areas and specific needs. Insurance policies vary greatly and are not 'one size fits all', and all assets must be well-protected. Once all terms have been thoroughly examined, put strict processes in place to comply with every criteria in the insurance terms. Don't forget to educate staff and employees on what they need to do, as failure to comply with the terms at any level could result in an insurer refusing to pay out.

Investing a few hours with a loss assessor to review loss assessment, as well as your broker, as part of any risk management planning exercises can help ensure that if the unexpected does occur, individual and business assets are well-protected. Interruptions are minimised, and processes are back up and running as quickly as possible, saving that most precious of all resources...time.

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THOMAS MANN'S LESSONS FOR A FAMILY OFFICE

by Ir. Frans Peeters

Over a century ago, Thomas Mann finished his novel, The Buddenbrooks, a tale of a wealthy German merchant family, set in 19th century Lübeck. In just four generations, the once thriving family business is completely torn down, and the reasons for this downfall are valid even today.

Obviously, a generational shift is a major change for any family business, but very often, another problem is already created long before this occurrence. The "old" generation, happy with the company it has set up and made to flourish, is seeing the age of retirement approaching and is likely to reduce investments. During the last years of its tenure, especially investments in research and development, it needed to keep the company up to date and are eschewed.

This means the "new" generation often inherits a company that is ill-prepared for the future and in need of major adjustments in order to remain competitive. In itself, this catching up is, of course, already a major challenge for the new generation, but it is exacerbated by the fact that more often than not, the old generation will try and keep a major influence on important business decisions, be it strategic shifts or major investments. This can be achieved through giving the old generation the presidency of the board of directors or by handing them a unique "golden" share in the company. In any case, this will, of course, limit the new generation's chance of letting the company evolve and adjust to modern times.

In Thomas Mann's epos, the shift in generation takes place when the pater familias dies. Nowadays, with life expectancies rising, usually some sort of planning is made to prepare for the succession of the generations at the helm of the company. Traditionally, the eldest son would be the chosen one; nowadays, it is probably the most competent sibling, but that doesn't change the fact that

Ir. Frans Peeters
Founder of Verifin.eu

this person might not be the best choice to take over the family business. The lack of outside oversight by an independent entity is still a common issue in family businesses and hampers the chances of success for the new generation.

Not everyone is an entrepreneur at heart, and an outsider might be the best choice to lead a company forward. Having someone with little business acumen leading the family business is, of course, not a good thing. Business decisions will tend to be more risk-averse, and the yield of the activity is likely to be reduced over time.

On average, first generation companies achieved a yield over 8%, whereas the following generations did not exceed 1%. (*) Given this poor performance, company management may lose interest in the business and favor other, personal projects instead. Like the big house Thomas Buddenbrooks, he was the third generation, had built, which distracted him heavily from day-to-day business and led to very poor investment decisions.

As with the Buddenbrooks' first generational shift, the choice of the sibling might be the correct one, but a problem may then still occur with the other siblings. In Thomas Mann's epos, the eldest sibling from a first marriage was "forgotten" for the succession and disinherited, having married a woman deemed unsuited. But two other siblings remained, one with no direct link to the business.

This can become a problem for any family business, as these siblings tend to be only interested in cash distribution and not in the long-term prospects for the family business. By having to make substantial dividend payments, investments by the family business will be reduced over time, and the company will suffer. A Family Office could try to align the interests of the different siblings by proposing a pay-off to sell the shares of the family members that are not directly involved in the business.

Obviously, this constitutes an important cash-out event for the family business, but it is a one-off which can be integrated in future planning, instead of being an unknown drag on future cash flow for the years to come. If nothing is done, the number of non-directly interested siblings will rise generation after generation, exacerbating this problem, of course.

The underlying message from an economic and psychological point of view to be learnt from The Buddenbrooks is that, in general, the first generation is very ambitious, because they started with little money.

The second generation inherits substantial wealth, and since there is less motivation to make even more money, it strives for power. Finally, the third generation inherits money and power, so it often lacks entrepreneurial spirit to grow the business further. It neglects the interest of the company and invests in art or other alternative investments, which might lead to the demise of the company. Of course, this example is generalized and exaggerated, but the pitfalls for a wealthy family business like Thomas Mann describes in his book still very much apply today, and an outsider, most likely an advisor, should try and minimize these effects for the family. Unfortunately, today only roughly 30% of family businesses survive the first generational shift, and this number goes down to only 1% after four generations (*). As George Orwell so eloquently put it, "Each generation imagines itself to be more intelligent than the one before it, and wiser than the one that comes after it."

Forewarned is fore-armed, but all too many companies still unknowingly follow the example of the Buddenbrooks family. Next generations should be thoroughly prepared for the job, and once knowledge and experience are assured, they should be given sufficient freedom to avoid friction between generations and other psychological issues.

Furthermore, all family members, those in charge of the business and those who have chosen a different path in life, should be taught the basic principles of financial markets. Luckily, nowadays there are independent advisors equipped with the combined financial and psychological skillset to steer the generational shift away from a negative spiral.

(*): Publication by the Erasmus Centre for Family Business – 2016

About the author:

Ir. Frans Peeters has worked for several international banks, such as UBS, ABN-Amro and ING, in the Netherlands, Belgium, France, Monaco and Switzerland. Among other duties, he was responsible for managing UHNWI portfolios and is currently working as an independent advisor for clients and their Family Offices. Frans Peeters is the founder of Verifin.eu, a company based in the Netherlands but operating internationally.

www.Verifin.eu

INTERVIEW WITH CADOGAN TATE FINE ART

Family Office Magazine talk to Richard Tomkinson, Head of Business Development at Cadogan Tate Fine Art – one of the world's premier logistics providers to the great and good of the art world. Richard has worked with Cadogan Tate for almost 20 years and is the man with his finger on the pulse providing all manner of transport and storage solutions to those managing private collections in particular. To talk further about what Cadogan Tate Fine Art can do for your Family Office or Trust, please do not hesitate to contact him directly.

Q – Give us a brief overview of Cadogan Tate Fine Art
Environmentally controlled fine art specification storage on three continents. Worldwide capability for air, sea and road shipments. Incomparable experience and knowledge of every conceivable customs regulation for all regimes regarding the movement of art around the globe. The ultimate level of attention and personal service to our clients with state-of-the-art facilities. Regular trucking schedules across Europe, the US and UAE using solely Cadogan Tate vehicles and art technicians. Our business encompasses every facet of caring for an art collection together with the expertise to manage it alongside your Family Office or Trust.

Q - How did Cadogan Tate evolve?
Cadogan Tate has been in existence since 1976, although I started with the firm in 2001. Initially Cadogan Tate was born out of simply delivering sold antique furniture, works of art and painting lots from Christie's South Kensington to their buyers around the locality. So our origins are firmly based within the art industry although we are of course a far cry from that version of the company now. With facilities in London, Paris, the Cote d'Azur, New York, Los Angeles, Miami, Chicago and Dubai and a considerable fleet of fine art spec vehicles and trucks, we really do operate in some of the major art capitals of the world. Couple that with our extensive network of international partners and our physical presence at every major art fair from the US to Europe to the Far East, we truly do have a global reach.

Q - How diverse is your client base?
It couldn't be more diverse within our industry. On the worldwide stage we are market leaders within the field of fine art logistics, so our client base is hugely varied. For example we are UK Government Indemnified which means that we have been approved by the Art Council's National Museum Security Advisor which enables us to move, store and ship pieces of national importance for institutions such as the British Museum & the V&A.

Additionally we work with a huge number of commercial galleries & private clients, from transporting and installing travelling exhibitions, to installing works in private homes for collectors. Obviously, we work with many UHNW individuals including many who are in the public eye so security as well as discretion are the watch-words here.

Additionally, as a result we have perhaps worked for twenty plus years with the world's finest interior designers; it's an off-shoot of combining working with galleries and private clients together. The client sees how we store, move and install their precious art collections with impeccable service and they want that reproduced for their next new house, ski chalet, or super yacht so I would say approximately 40% of our total business these days is working alongside the designer and under their direction to kit out the entire project.

Q - What would you say is the most complicated area for a client or Family Office to face when wanting to transport or store their collection or art investment?
There are two ways to look at this. Often, there is a deep emotional attachment to the pieces. We must manage this extremely carefully. However, we find that our very personal approach liaising with the client and family office via a dedicated Cadogan Tate Client Account Manager, together with the care in which we take to handle and pack the works with our in-house trained art technicians, feelings of apprehension tend to dissipate. There is an art to packing art.

Another daunting task is facing the complexities of importing and exporting artwork and the customs regulations that come with that. This is where our years of expertise and experience really count. We can both advise you and ensure that your shipment has the required documentation for all import and export regimes. We are here to take the stress out of such an undertaking and we are perfectly placed to do that.

In the UK and France, we are an HMRC/DGDDI approved and audited Customs agent and our status enables us to offer safe, secure storage for art and antiques under Bonded warehouse or Temporary Import procedure. Other benefits of working with Cadogan Tate and for peace of mind; we are US C-PAT (Customs-Trade Partnership Against Terrorism) approved plus we are a UK Department for Transport Approved Regulated Agent which ensures that our premises and procedures meet stringent aviation security regulations and permits our consignments to be received and loaded on board aircraft without any undue delay or restriction.

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MILLENNIAL THEMES IN REAL ESTATE IN CENTRAL AND SOUTHEASTERN EUROPE

by: Anjelika Klamp, CFA, CIO, CITE Investment

Real estate is an established asset class popular with institutional investors and family offices alike, as it provides exposure to economic growth through tangible assets and offers a balance of income and potential for capital appreciation, while making use of leverage through mixed financing.

While real estate in the US and Western Europe has seen steady inflows in the last decade, real estate opportunities outside these markets, for the most part, received little investor attention. In the decade of negative real interest rates and ever compressing yields, Emerging and Frontier Markets may be a worthwhile universe to explore.

For example, Central and South Eastern Europe has been almost entirely abandoned by foreign investors post the GFC. While some parts of Central Europe have seen a return of international investors in the last few years, South Eastern Europe (SEE) has remained on the fringe. The SEE economies have in the last two years been among the fastest growing in the EU and become a favourite outsourcing destination for multinationals such as Oracle, IBM, Ford, and Amazon. It seems that despite the steady growth and attractive prime yields, both relative to history and Central Europe, one of the main issues investors grapple with is a perceived lack of investable assets in the region. Not surprising given that the image conjured by the SEE in anyone's mind involves endless rows of dilapidated post-communist high rises.

There has been little publicity for the evolution of markets, such as the office construction boom in both Romania and Bulgaria. High levels of activity have included deliveries of Class A offices to house the flurry of international companies choosing to get a foothold in the SEE. Much of this construction has been financed by private equity type investors, with stronger flows from domestic, regional (Greece and the Czech Republic), Israel, and South Africa-based firms.
Increased economic activity in the SEE has also resulted in improved living standards and growing aspirations for the local millennials. As a result, millennial-related real estate investment themes, such as flexible working or 'co-working', as well as 'communal living', have begun to experience a similar uplift in the SEE, as we have already witnessed in established real estate markets.

In Bucharest, Spaces, the co-working brand of IWG (formerly Regus), opened a third location in October 2018, and Mindspace, an Israeli co-working company, has entered the market in February 2019, with a plan to open more Bucharest locations. There are also several local operators with a single co-working space.

Among these is Coffice, established in 2013 as part of the SWAN office development, backed by Chayton Capital and winner of multiple sustainability awards and certifications. David Allen, of Chayton Capital, says, "Co-working office space has proven to be a popular model with companies and freelancers here, and we are looking to participate in its continued growth going forward."

The demographic and social trends in the SEE support the likely continued strength of the flexible office sector. For example, the Romanian government encourages entrepreneurship with financing for returning emigres to start local businesses. Also, according to a study by IWG, remote working is considered by local employers to increase employee productivity, as it cuts out commuting time and reduces employer office overheads. It also shows that 60% of Romanian employees work remotely at least once a week.

A 2018 survey by CBRE showed generational shifts in workplace preferences among Romanian office employees falling broadly in line with those in the US and Western Europe. Indeed, younger generations of employees, Generations "Y" and "Z", attach more value to the softer aspects of their work environment, thereby favouring flexible setups over traditional offices.

In Romania's buoyant economic climate, employers use both hard and soft aspects to attract and retain young talent, and co-working offices are among the employers' toolkit. On the residential side, Private Rented Sector (PRS), an investment segment traditionally considered to be a lower risk by investors, used to be virtually non-existent in both Central and South Eastern Europe as recently as ten years ago.

Both the CEE and SEE had inherited a communist-era housing stock, with fragmented ownership ("swiss cheese"), a legacy of hurried privatizations of the 90s, where occupants could buy their apartments for a token sum. The age, poor construction quality, and lack of maintenance, compounded with high levels of overcrowding, mean there is high demand for modern accommodation in these markets. This is particularly strong among the SEE millennials, with Eurostat reporting that as of 2017, in Romania and Bulgaria, over 60% of 15 to 29-year-olds lived in overcrowded conditions.

We have already witnessed the rapid institutionalization of the PRS segment parts of the CEE (Poland), with large Dutch and German institutions investing significant funds in new PRS construction between 2014 and 2017. It would seem that the conditions are ripe for similar trends to emerge in the SEE, too.

Prototypes of such projects already exist in the SEE, often funded by developers. They tend to be adapted to the local needs and conditions and are commonly referred to as the "new PRS" or "communal living". For example, in Romania, "new PRS" developments come with smaller, fully furnished units, full provision of utilities, and on-site communal facilities (such as a gym and laundry room), as well as short-term rental contracts. Such schemes have proven popular with millennials who appreciate the flexibility, the ease of moving in, and dealing with professional landlords.

It would seem that it is only a matter of time before international investors become fully aware of the full range of real estate opportunities available in the SEE markets. After all, other segments, such as prime offices, have already been noticed by foreign institutions.

As the SEE is gradually re-rated by benchmark providers such as MSCI and FTSE over the next few years, it may start to benefit from a higher level of institutional investor interest.

www.citeinvestments.com

FOREIGN BUYERS CASH IN ON BREXIT UNCERTAINTY

Jonathan Mount Sterling Private Office: The Premier in Prime

The ongoing saga surrounding Britain's turbulent exit from the EU has continued to stall the market. With no resolution in sight, overall confidence remains low. But while the uncertainty has caused some to draw in their heads, others have come out of their shells – as foreign buyers look to cash in on nervous sellers and a weakened pound.

We've seen particularly high levels of interest from dollar-denominated buyers based in China and the Middle East. Indeed, in an interview with Bloomberg earlier this year, Chairman of Dubai's Damac Properties, Hussain Sajwani, announced that he intends to invest up to £1bn in Central London this year (Bloomberg et al, 2019). He commented, "London is London; you buy when there is blood on the streets."

When you look at the numbers – it's easy to see what's got dollar-denominated buyers so excited. Recent analysis from Savills indicates that a Prime Central London property valued at £5m at the height of the market in 2014 could now be acquired for an estimated £4.03m (Savills, 2019).

When you then factor in the effect of a weakened pound, it means dollar-denominated buyers could today purchase that same property for just $5,145,573, compared to its peak price of $8,548,500 in 2014 - netting themselves an effective 40% savings.

The figures estate agents have been putting out tell a similar story – at the top of the market, transactions are picking up. In 2018, the number of transactions involving properties worth more than £2m were up 12% year on year (LonRes, 2018), while properties worth more than £15m were up 43% (Savills, 2019). And just this June, it was reported that an estate agent in Chelsea had sold more than £50 million worth of prime London property in one month alone – all to international buyers.

But has the market hit its bottom? It's impossible to say. We are in totally unchartered water. However, what we can say is that a savings of that magnitude means a large margin for error. If we are now looking at the bottom of the market, the right investment could be extremely profitable. Some of the steepest climbs in market history took place after major corrections like Black Wednesday (1992) and the global financial crisis (2007-2008). Indeed, a property one of our clients acquired in 2009 has seen capital appreciation of almost 50% in just 7 years.

Prices may start to climb again soon. They may still have further to fall. No one can predict the future. But we can learn from the past. And in the long term, property has always outperformed other asset classes. So, provided you're buying best-in-class – and can afford to ride out a continued downturn – property remains the most robust long-term investment vehicle available. And for those willing to take the risk, the rewards could be extremely handsome. Of course, with the right advice, there are a few things you can do to stack your hand...

Plan for the worst

Smart investors might hope for a boom, but they never bank on it. Be sure you, or someone who represents you, has modeled for various contingencies to ensure damage is mitigated should the worst happen.

Take independent advice

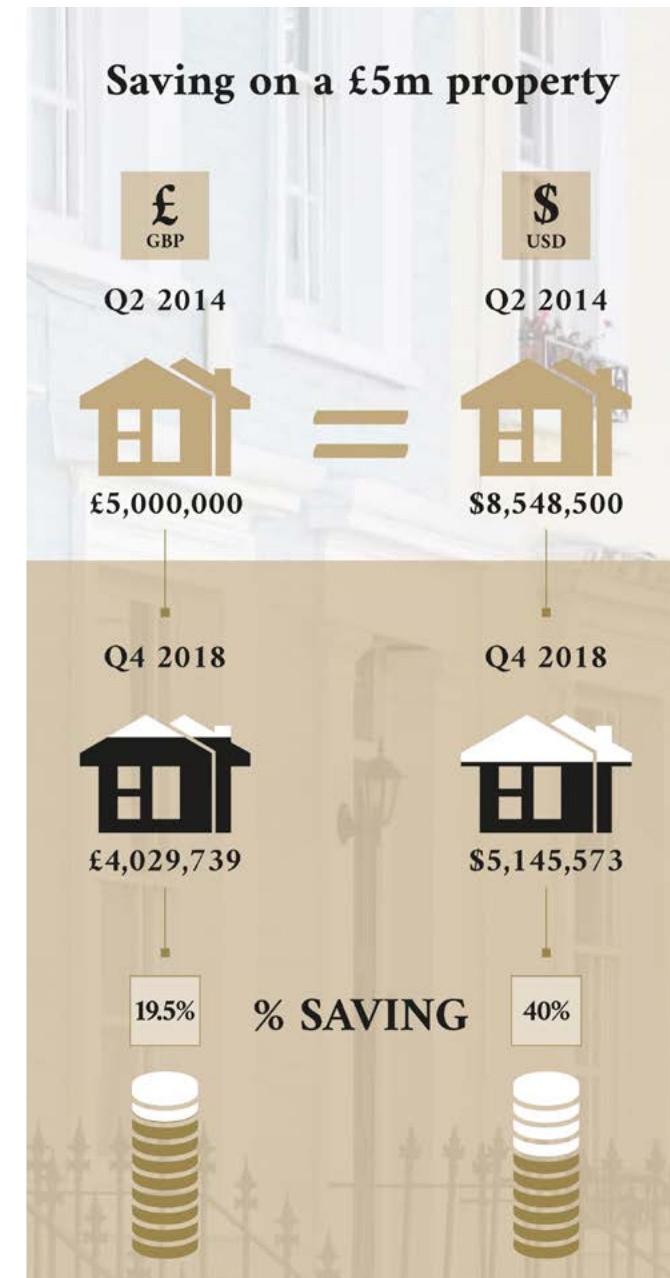
You wouldn't make a multi-million-pound investment in stocks or shares without talking to a stockbroker, and property is no different. But make sure the advice you're getting is truly independent; estate agents represent developers and vendors, not buyers.

Diversify your portfolio

Like any investment portfolio, it's crucial that you have adequate diversity. The market doesn't rain and shine on everyone in equal measure. You need to mix different price points, areas, and property types to spread your risk evenly.

Buy best-in-class

In the long term, a best-in-class property will always outperform the rest of the market. But watch how you go; the difference between first-rate and second-class is more subtle than you might imagine.



Be wary of unicorns

If it looks too good to be true, it probably is. We've seen dozens of properties promising high rental yields and unrealistic development margins. Invariably, it's because something else is hampering the asset's value or ability to appreciate – tube rumble, a short or restrictive lease, a building in disrepair, insalubrious neighbours, etc.

Look for untapped potential

Prospects that are underdeveloped can represent excellent value. Last year, we acquired an apartment in South Kensington and subsequently project managed the renovations for our client. The additional £400,000 of investment has returned an uplift of almost £1.25m based on the latest valuation.

Be patient

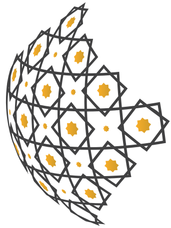
Knowing when to stick is just as important as knowing when to hit. By holding firm, we've negotiated the price of one country estate in Henley down from £7m to £3.9m. And in London, we saved one client £9m on a super-prime Chelsea penthouse. To negotiate well, you have to be prepared to say no to a bad deal.

Stick to your brief

It's not just a question of the right property, it has to be right for you, too. Be honest about your requirements and the level of risk you're willing to expose yourself to. Good investments are never one-size-fits-all. And neither is our advice.

STERLING PRIVATE OFFICE: THE PREMIER IN PRIME

Jonathan, Sam, Rachel, and Nick worked together in the acquisition arm of Knight Frank for the best part of 10 years before conceiving of Sterling Private Office: a full-service advisory firm offering first-rate representation to those invested in the UK prime property market. With 50 years' combined experience across UK prime residential property markets, the team offers a truly bespoke and specialist service, ranging from acquisitions and development consultancy to fully managed sales and lettings.



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LÜRSSEN

LÜRSSEN PRESENTS MADSUMMER AT MONACO YACHT SHOW 2019

Lürssen announces that they will be displaying the latest delivery from the yard at the Monaco Yacht Show this year. Madsummer will be delivered this summer and will be spending her first few weeks in the Mediterranean before her world debut which will be the highlight of the port during the show.

The Owner's captain and Moran Yacht and Ship supervised the project and brought in their vast spectrum of experience and consolidated knowledge.

Harrison Eidsgaard has given Madsummer generous proportions, at a length of 95 meters and a beam of 14 meters, she boasts extraordinary volumes. Peder Eidsgaard said:" Wide exterior staircases together with centerline openings provide seamless connections between the generous exterior decks.

A fabulous pool and Jacuzzi deck aft is raised three steps and is protected by glass bulwarks that are an integral part of the exterior profile, providing for very clean and uncluttered hull surfaces." The interior is designed by Studio Laura Sessa and can best be described as contemporary modern. Laura Sessa comments: "For this interior design yacht project, I invested inner artistic creativity due to my long relationship with the Owner. I playfully created spaces full of customised details and colours from the sea, emanating harmony and elegance. All decks were designed with a specific focus on comfort but also practicality. The result will be absolutely stunning." Among the special features are a large beach club and spa area with a sea terrace on the lower deck. On the upper deck aft, there is a walkable skylight and an integrated fireplace for cosy moments in the evening. The bow is laid out for a certified helicopter landing area. The sun deck aft offers a hidden crane in the bulwark to handle an aeroboat.

www.lurssen.com

INVESTING IN WATCHES, AN ALTERNATIVE ASSET CLASS?

In 2017, the general public learned something that serious watch collectors have already known for a long time: vintage watches are a hot commodity. In late fall of that year, over 400 watch enthusiasts and curious onlookers descended on New York to witness – and possibly bid on – the sale of actor Paul Newman's personal Rolex Daytona. A gift from his wife - actress Joanne Woodward - in the late 1960s, the watch cost no more than a few hundred dollars new.

Known for his generosity, Newman would later give the watch to James Cox, then boyfriend of his daughter Nell. Cox continued to wear the watch for some time before putting it away someplace safe and almost forgetting about it. When the hammer came down for the final time in that crowded auction room in New York, the watch which cost a few hundred dollars several decades ago had sold for US$17.75 million including buyer's premium, making it the most expensive wristwatch ever sold at auction.

This is not the type of thing that happens every day, of course. The sale of the Paul Newman Rolex Daytona was a once-in-a-lifetime event. Yet, it wasn't the only watch to comfortably reach seven figures at auction in that year. The "Bao Dai" Rolex reference 6062, so named because it was once owned by Bao Dai, the final emperor of Vietnam, sold for over US$5 million in 2017, a figure that is 21 times higher than the last time the watch changed hands at auction in 2002, for the then record price of US$235,000.

More recently, a unique Patek Philippe Ref. 5524T sold for CHF 2.3 million at a charity auction run by Christie's, while a unique George Daniels Grand Complication pocket watch fetched CHF 2.4 million at the Phillips Geneva Watch Auction: Nine in May. Given these impressive results, and countless others in the mid to high six figure range, it should come as little surprise that luxury watches are increasingly being looked to as an alternative asset class. But assessing

Tom Mulraney
The Watch Lounge magazine

the potential investment value of a vintage watch is anything but straightforward.

As with any type of collectible, the vintage watch market is highly nuanced. Some brands, such as Patek Philippe and Rolex, are typically reliable high-performers at auction. Yet some models are inherently more likely to increase in value over time. For example, complicated Patek Philippe watches in steel or titanium cases often attract huge premiums, largely because there are so very few in existence. Yet, as more examples come to market, there's always the risk that the tide might turn and preference for these types of watches could wane. Such is the fickle world of collecting.

That said, there are a few golden "rules of thumb" in watch collecting that help inform estimates of value. Chief among them is brand. Heritage is very important in high-end watchmaking, with many of the major players counting at least a century of history. Longevity says a lot about the intrinsic value of a brand and speaks to a level of expertise and experience. Names like Rolex, Patek Philippe, Vacheron Constantin, Audemars Piguet, and Breguet, inspire confidence in collectors thanks to long-running track records of innovation and excellence.

Yet there are also relative newcomers with only a few decades under their belts that have already left an indelible mark on the industry. German watch manufacturer A. Lange & Söhne is one. Independent Swiss brands Richard Mille, Greubel Forsey and F.P. Journe are also key players. Although the performance at auction of models from these brands tends to be more volatile. That will likely change over time though, as timepieces from these contemporary makers become tomorrow's sought-after vintage models.

Equally as important is provenance. Where does the watch come from? Does it, or did it ever, have a famous owner? Is it notable in the history of watchmaking? Is there any question about its authenticity? Has it been repaired using genuine parts? In the world of vintage watches, minor details, such as the correct hands on the dial, can make the difference between an extra zero at the end of the sale price. Yet this remains an incredibly murky area, particularly because accurate records of older models largely do not exist.

Just last year, the McQueen Estate disputed the provenance of a Rolex Submariner reference 5513 supposedly given by actor Steve McQueen to his stunt man, Loren Janes. Despite generating a huge amount of buzz, the watch was eventually pulled from auction by Phillips. After numerous inconsistencies arose, it became simply impossible to verify whether the watch ever belonged to McQueen, a key factor in determining its value.

Next is scarcity. The lower the volume of production, the higher the perceived value. Often, models that perform the best at auction are unique pieces, or ones that have been produced in single digit quantities. Again though, provenance is of critical importance with types of watches. It is an unfortunate reality of the industry that counterfeit and otherwise modified models continue to be an issue. As such, seeking the advice of a reputable expert or experts is strongly encouraged when considering a vintage watch for purchase, whether it be for investment purposes or as an acquisition for a personal collection.

Lastly is passion. Collecting vintage watches for investment purposes or personal enjoyment, or both, is a very involved process. If you have a passion for it though, then it is never a chore. Rather, it is an enjoyable way to spend your time and money and offers the chance to meet some interesting people and hear some incredible stories, not to mention the thrill of the chase as you close in on a long sought-after model. And even if things don't go to plan performance-wise, you'll still be left with a striking asset you can wear every day.

www.thewatchlounge.com

WAYS TO SAVE MONEY ON AN AIRCRAFT TRANSACTION

by René Banglesdorf CEO of Charlie Bravo Aviation

Buying an aircraft is a complicated process, and just one misstep can cost you thousands, or even hundreds of thousands of dollars in the long run. Here are a few things to consider in safeguarding your safety and finances.

Choose the right aircraft for your mission
Markets have changed significantly, so for what you used to spend on an older light jet, you can now buy a much larger aircraft at a similar price point. As a buyer, you need to make sure you're buying the right plane for where you're flying, who you're flying, when you're flying, and why you're flying.

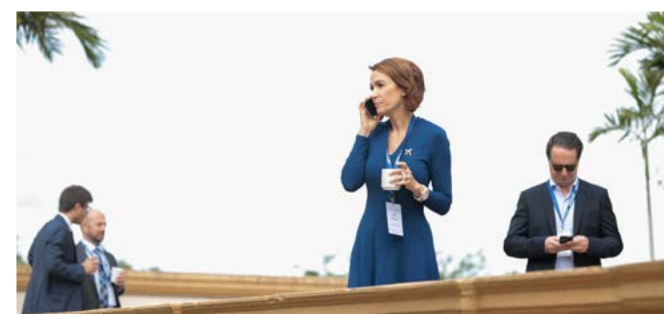
Understand true market values
Unlike real estate transactions, aircraft sold figures aren't public knowledge. In fact, most of them are protected by confidentiality clauses. The only way to really know true market values is by following the market carefully over time. There are a lot of variables that go into a true value, like total time, damage history, and upcoming maintenance, that can cause an aircraft to be worth more or less, even when you are comparing the same year models. A good broker can help.

Pedigree is more important than aesthetics
You can always change the paint and interior of the plane, but you cannot change the maintenance history. If a plane has shoddy maintenance history, you may have problems now, or you may have problems when you try to resell it. It's important knowing how many owners a plane's had and to be able to look back and see that the title is clear.

Choose your legal counsel wisely
When it comes to legal counsel, it's important that your attorney has aviation experience. You definitely don't want them learning how to manage an aircraft transaction on your dime. You want your attorney to know ahead of time what questions need to be asked and what things need to be addressed. Once you think you've made your hiring decision, ask upfront how much it will cost for your transaction.

Don't let technical people make financial decisions
Complex transactions require specialties. Technical professionals can look at all the different aspects of a plane and make sure it's safe, but they can't necessarily make sound financial decisions regarding things like direct operating costs, annual budget, or tax planning. Make sure you're getting the right advice from the right people, and keep in mind that second opinions really help.

Use a savvy inspector
An experienced technical advisor can rule an aircraft out in a matter



of minutes by looking at things like logbooks and wheel-well corrosion – things that otherwise may fall by the wayside. Anticipating upcoming maintenance is another critical step. You may think you're getting a sweet deal before realizing the plane you bought for under a million dollars has $700,000 worth of maintenance due. If a plane's logbooks are not in order, it can be worth up to 50 percent less, depending on the extent of the missing data. This is especially true if the aircraft has been serviced outside of the country, as it will limit your ability to get an airworthiness certificate.

Know the management team
You need to make sure to hire someone reputable to manage your aircraft. If you're having your pilot manage your plane, make sure he or she has significant attention to detail. Does that person have enough experience with the plane type, or are they learning as they go? If it's a larger management company, do they submit to third party audits? Those can provide additional peace of mind. Also ask how they do their accounting to make sure they aren't double-dipping on expenses without your knowledge.

Count all the costs for charter
You need to count all the costs before you decide to charter your plane to others. A lot of people assume they're going to buy a plane, charter it out, recoup all costs, and make some profit. Most of the time, that isn't the case. Chartering your plane will offset some of your fixed expenses, but increased hours also lead to more maintenance. Before chartering your plane out, understand the terms of the management contract and what percentage you will be receiving.

Use an aircraft broker
While this may seem like a self-serving point, there are a lot of things a good aircraft broker brings together with his or her professional contacts. In a seller's market, which we are currently seeing, the best planes sell before they come to the market. If your broker has a good relationship with other brokers, he or she will have access to the best choices on and off-market, especially on newer models. Experience also comes into play, as no two deals are identical, but there are some traps we see repeatedly, like a lack of transparency about an aircraft's history or fine print on engine programs, which are not all the same.

To learn more about Charlie Bravo Aviation and best practices in aircraft acquisitions, visit blog.wepushtin.com.

About René Banglesdorf
René Banglesdorf is an author, speaker, and co-founder and CEO of Charlie Bravo Aviation, an Austin, TX-based company that buys, sells, and leases corporate aircraft worldwide. In 2018, Charlie Bravo Aviation was named among the top five percent of aircraft brokers in the world, according to AMSTAT data.

René is an editorial contributor to several aviation business publications, and her latest book, Stand Up: How to Flourish When the Odds are Stacked Against You, is available on Amazon and anywhere books are sold.

René also hosts two podcasts: Defying the Status Quo, on which she interviews women who are crushing it in male-dominated industries, and The Private Aviation Insiders' Guide, where she interviews corporate pilots about the aircraft they fly and their adventures in aviation.

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UK CORE REAL ESTATE:INVESTING THROUGH THE CYCLE & BREXIT

Author: Rupert Sheldon, Head of Income REIM at Palmer Capital

There is no doubting that we are very late into the current economic cycle, extended by loose global monetary policy, quantitative easing across all key Western economies, and assorted other government stimuli the likes of which have never previously been seen. All of this takes us into unknown territory for investors seeking to navigate a path to either wealth creation or wealth preservation.

The last decade has seen strong value appreciation for asset owners, but in turn an increase in the numbers of people sinking below the poverty line and re-emergence of the social and political divide. A "normalisation" over the next decade as the economy is gradually weaned off the narcotic of government support promises to be a difficult process with some bumps along the way, and that is before we even mention the "B" word!

So how does core UK commercial real estate investing fit into this backdrop? The answer is rather well for those investing in the right areas with a longer term outlook. For such investors, there remains a compelling case for staying active.

Enduring Appeal

With an income yield of c.5.0% per annum on the MSCI/IPD annual index (December 2018), UK commercial real estate continues to do what it says on the tin outstripping other principle asset classes when it comes to delivering a dependable income return. This is key during periods of lower economic growth.

Over an almost four decade period that MSCI/IPD have been measuring UK commercial real estate returns, income has represented the vast majority of the total return. For those patient enough to ride out the cycles, this is a very appealing dynamic.

Market Fundamentals

We are approximately nine years into the current market cycle. History tells us that we are overdue a correction. However, quantitative easing across major markets and economies distorts the picture. Notwithstanding economic headwinds and political distractions, key sub-sectors of the market, such as CBD offices and industrial, continue to show progressive levels of rental growth consistent with sustained occupational demand exceeding new supply. This, coupled with a yield margin of up to 200 basis points when measured against comparable major European prime real estate markets, means that the UK continues to offer relative value.

Brexit Disruption

Several major UK institutional landlords, in particular the larger open-ended funds, are increasing liquidity as a hedge against Brexit. This makes them sellers, albeit often away from the glare of an open marketing campaign. To realise cash in a pre-Brexit climate requires pricing flexibility and the disposal of higher quality liquid assets well let to strong tenants in institutional locations. This is starting to create buying opportunities for long term investors holding cash for deployment who are also finding there to be less buying competition.

Sector Themes: Revolution or Evolution?

At Palmer Capital, we are very focussed on identifying and following key 'mega-trends' which transcend economic cycles and play out over a longer time horizon, thereby offering patient investor capital key thematic drivers for both income and capital growth.

The retail sector, encompassing high street shops, shopping centres, and out of town retail assets accounts for approximately 40% of the measured UK commercial real estate market. The underlying retail sector is in the grip of a strategic shift driven by the Internet. This is making huge swathes of retail real estate obsolete and irrelevant, particularly so for secondary shopping centres and high street shops where similar value alternative uses simply don't exist. The future is extremely bleak for investors overweight to these types of assets.

However, on the opposite side of the same coin is the industrial warehousing sector, with an altogether sunnier disposition. The sector has been the principle beneficiary of this retail malaise, with Internet retailing driving strong occupier demand in both urban logistics locations and those areas well-served by the motorway network. Amazon alone was responsible for the largest take up of industrial and logistics space over the past three years, and this Internet theme continues to drive both rental and capital growth. Macro pressures are whipping up what appear to be perfect conditions for those already invested in the sector.

Supply side pressures are also building in a positive way for investors with cross party support in Parliament for the need to build more homes for the UK's growing population. This pressure is particularly acute in the major cities where the growing population creates land supply issues as 'brown field' industrial sites are being lost to residential forever. This is good news for industrial investors, and the demand/supply imbalance is not only helping drive rental and capital growth, it is also leading to strong residual alternative use values for the underlying land.

This compelling dynamic is informing Palmer Capital's current commercial real estate investment strategy, leading to continued underweight positions to at-risk retail assets and large overweight positions to the growth markets of industrial and logistics.

And What About Technology?

The real estate industry thrives on imperfect knowledge, which in turn creates miss-pricing and opportunities. It has been slow to adapt to technological change.

Palmer Capital has stolen a march in this area, with a sharp focus on how best to incorporate modern technology into building design and development so as to ensure that the built environment adapts to the requirements of modern day occupiers. This involves working with would be tenants as customers to ensure the delivery of floor space that matches their evolving needs.

There is a lot of change going on across the UK commercial real estate market – much of it unprecedented. This will create opportunities as well as risks, and as always, there will be winners and losers. Brexit or no Brexit, these longer-term themes will drive markets long after the dust has settled on any EU/UK negotiations.

While some investors are currently sitting out the market, we see opportunity, provided you stick to core underlying themes and take a long-term view. During times of rapid change, it generally pays to be sitting at the front of the bus rather than tagging along behind.

RESPONSIBLE FAMILY BUSINESS & WEALTH OWNERSHIP PROGRAMME CAMBRIDGE OCTOBER 7 TO 11, 2019

The Circular Economy and Family Businesses: Can the Benefits of Shifts from Linear to Circular Approaches be Extended to Family Wealth, Governance, Relationships and More?

In October 2018, families from Asia, the Middle East, the U.S. and Europe were represented at the inaugural Responsible Family Business & Wealth Ownership Programme, organised by the Executive Education division of the Cambridge Judge Business School in Cambridge, England.

The theme for 2018 was risk management in a world characterised by disruption, and the programme explored this from a variety of angles relevant to families and family business.

For 2019, the theme of the Responsible Family Business & Wealth Ownership Programme will be the circular economy. Led by Prof. Khal Soufani, the Academic Programme Director and Director of the Cambridge Judge Circular Economy Centre, the faculty for the 2019 programme are gearing up for what will be an innovative and valuable approach to examining issues relevant to global family business and wealth owners.

The Circular Economy as a Theme

Circularity in business models is gaining interest globally as economic research demonstrates the ability of circular approaches adding value and jobs. In the context of family businesses and wealth, the purpose of keeping the family together is also increasingly of importance. Without circular approaches, whatever resources are involved in the production process are eventually exhausted.

Impact investing and an ESG (environmental, social and governance) focus are only part of what makes up a circular economy approach to planning. Circularity involves retaining value in the life cycle of materials, resources and products. Waste is transformed into something useful.

The 2019 Responsible Family Business & Wealth Ownership Programme will seek to identify the opportunities and benefits of a circular approach in a much wider context than is normally considered.

Key Benefits of a Circular Approach Rather than a Linear Approach

There are many ways in which a family business or other family enterprise can benefit from looking at things from a "circular" perspective. Adding value and jobs, developing a sustainable purpose and extending the life cycle of resources are only part of the picture. In many family businesses, value is destroyed rather than created when succession takes place – a focus on circularity can manage this and ensure that a growing family translates into a growing, not shrinking, business. Avoiding waste is a critical component, as is using capital sparingly, a key issue for families and family businesses.

Can the Ideas of Circular Economy Extend Beyond the Business to Family Wealth, Governance and How Families Engage?

The concept of minimising waste and ensuring that production is organised in cycles rather than on a linear basis can be extended to family governance and how families deal with issues including succession, the aging process, and interaction with governments.
Capital that needs purpose and sparing use includes natural, financial and cultural capital, and not just parts and resources used in the production of goods. Minimising waste also means minimising the waste of useful resources within a family, such as inadequate use and motivation of family members who may not be involved directly in the family business, but who may have a direct or indirect stake in the family business. Families that are wealthy rather than business owners may waste human resources within their family through over-reliance on external asset managers and under preparation of family members as wealth owners. And what of the older generation, and the need to find ways to ensure that they are part of an effective mentoring process that ensures that the valuable resource which is experience is not wasted?

Reducing the "use" of materials and resources, in the family context, may mean ensuring that there is more focus on appropriate life/work balances, creating a more effective and cohesive family construct.

Soon, family businesses will have up to four generations managing their organisations. Key issues around strategy and direction will come from different perspectives and generations with varied priorities – the circular economy brings those perspectives together in a holistic and beneficial way for the business and society as a whole. Family businesses are in a unique position in terms of leveraging this benefit with a medium-to-long term view.

Circularity and Some of the Specifics of the 2019 Programme

Among the topics to be covered in the 2019 Responsible Family Business & Wealth Ownership Programme will be how family businesses fit in the circular economy and how best to navigate conflicts of interest and political change. On this front, political risk is growing, and how political risk can be managed for an individual family and society in general will be part of the discussion. Innovation, organizational behaviour, family governance, leadership and the building of effective teams are key elements of the programme. Traditional topics, such as international taxation and the needs of wealth and business owning families will also be covered, but from a new perspective: how does circularity affect our interaction with governments and ensure that meeting individual family needs fits within our responsibility to our communities and society in general?

The circular economics overlay to the topics to be covered in 2019 will provide participants with a unique opportunity to explore what is meaningful for families, family business and family wealth, and how doing things in new ways may bring new opportunities for growth, sustainability, excitement, engagement and longevity.

The Magic of Cambridge

Apart from the academic rigour and reputation of Cambridge University, the programme brings the distinctive magic of Cambridge and its 31 colleges to participants, helping create a memorable and valuable experience for those attending on their own or with family members of different generations. The programme features distinguished guest speakers from prominent business families, and the 2019 opening dinner is to be held at Trinity Hall College, founded in 1350. One of the programme's sessions on building effective teams will be held in the Goldie Boathouse, the spiritual home of the Cambridge Boat Club, built in 1873.

Families attending the course can choose a variety of optional elements to enhance the programme, including the organisation and running of individual family retreats, business strategy training, personal and leadership development for the next generation, family governance and succession planning.

The dates for the 4-day programme are October 7 to 11, 2019, with participants arriving for dinner on the evening of October 7th and the course finishing after lunch on October 11th.

https://www.jbs.cam.ac.uk/execed/open-programmes/responsible-family-business-wealth-ownership/

As the programme is restricted to family members, a safe environment for sharing and learning from peers is provided. The course is only open to owners of family businesses and/or passive wealth and their families.

COOL - DYNAMIC - FRESH:
Inspiration for superyacht design excellence

by Pandora Mather-Lees

'External Perspectives' was the concept behind the years' superyacht design forum held at Chelsea Harbour during the last week of June.

Welcoming 240 Guests, Superyacht Group Chairman Martin Redmayne explained the conference mission, to attract visionary speakers so stimulating a new approach to yacht design that is cool, dynamic and fresh.

Keynote speakers, futurist Matthew Griffin and Arthur Mamou-Mani, gave examples of how new technology such as artificial intelligence and biotech is changing the world we live in, enabling efficiency across all industries and how giving away ideas, sharing and collaborating reaps unexpected rewards.

Group sessions explored sustainability through the lens of social media having an influence on procurement for better resourcing. Teak decking predictably cropped up and exhibitor and exhibition sponsor, Lignia Yacht demonstrated their biotech teak alternative, enabling manufacturing of a new type of wood which barely differed from the original. Sustainability discussions often focus on managing plastic waste; something stakeholders in yachting are toiling to eliminate. One resourceful response from luxury design is Brodie Neill's artfully designed GYRO table, made entirely from oceanic plastic flotsam.

Picking up on the theme of collaboration, designer Andrew Winch has put alliance into practice, partnering with interior retailers Summit, based in the Design Centre. Together they have brought a radical, in production terms, furniture range to market. In a session moderated by journalist Georgia Boscawen at the Summit showroom, designer Selena McCabe applauded the retailer's courage in giving her team at Winch complete design freedom.

The Summit's MD, Hilary Gustafsson, had expressed doubt as to whether the range could be first realised and second be sufficiently durable for the deck. Pertinent then, that the key to success for this joint venture was pinned on a relationship of many years between the two principals, founded on mutual respect, trust and integrity. Frequent and honest communication was particularly important to the project's success.

Good communication played out in a subsequent panel comprising Oceanco's Alan Coleman, designer Tim Gosling and Steve Keeling of DKT Artworks who discussed how vital this is throughout the supply

chain. Maintaining good relationships and the need to adapt to ever-changing demands by owners is a major challenge in keeping costs down. According to Steve Keeling of DKT Artworks, a company formed of multiskilled artists, specialised in the design and production of bespoke finishes and artworks explained that the company overcame some of these difficulties by strengthening their relationships with designers, yards and outfitters, making sure all parties could work to an "as much defined as possible" brief, as well as keeping the liaison open and consistent throughout the process.

Design and build are of course, highly complex tasks given the many disparate divisions internally and the plethora of third-party providers externally. The perceived need to extend beyond and surpass standard design complicates production to the point that deliveries become delayed. The Superyacht Group statistics showed that out of 181 yachts in build pending delivery in 2019, only a portion has been delivered with many more unlikely to meet the target. This has a knock-on effects for the legal profession. John Leonida, a superyacht lawyer with Clyde and Co, spoke about how his work has transitioned over the last few years from transactional to litigation matters, many of the latter being a result of overpromising on delivery by the yards. Timeframes and margins are squeezed as yards compete to win projects. They employ high levels of skilled labour, which means that sometimes the builder would rather accept a project at little above cost than lay off staff and lose their in-house expertise.

In conclusion, family offices involved in yacht management need to adopt an interconnected approach, be open to new ways of doing things and realise that sustainability is being enforced across the industry. Unless responsible sourcing is adopted, the new, younger owners will be alienated. Managing waste, fuel and materials needs a radical reappraisal - all stakeholders must be open to a new future embracing the opportunities provided by innovations in tech. Futurist Matt Griffin proposed the shocking statistic that we might eliminate 80% of waste on a yacht through the application of technology.

Summing up the conference, Ashley Hurrell, representing sponsor naval architect Laurent Giles commented:

"This year's superyacht design forum was exceptionally well organised as always with some very interesting speakers. Our emphasis is always looking to the future, new technologies, materials and so on, which this forum was about, along with exploring the unknown which can get a little controversial. For us though, it's about catching up with new and existing colleagues and friends, fantastic company and like-minded individuals from which you learn so much."

The Superyacht Group industry report and other market intelligence can be commissioned from William Mathieson: william@thesuperyachtgroup.com The group's flagship conference, The Superyacht Forum takes place in Amsterdam with this year's conference falling on 18-20 November.

COMPLEX COMMERCIAL REAL ESTATE FINANCE MADE SIMPLE

As the global economy has evolved, we have seen an unprecedented explosion of wealth across the world. This has never been more so than over the last ten years. Whilst existing historically wealthy individuals and families have become exponentially richer, newly established wealth - or 'new money', as they say - is incomparable to anything that we have ever seen before. Preserving and enhancing this wealth, whether new or old, has to be nurtured, managed, and tailored to the strategic requirement of each individual or family.

But it seems that long gone are the days of merely handing over wealth to third party investment fund managers and advisers, who charge expensive fees and costs for mediocre returns with no real accountability. This, in turn, has led to the emergence and spectacular growth of single and multi-family offices, which are set up specifically to oversee, look after, and manage the every want, need, and desire of wealthy individuals and families.

Whilst all single and multi-family offices are unique due to the tailored approach for each family or individual, there are core services and wealth management solutions that are standard in most, if not all, family offices. These include estate/inheritance planning, tax planning, investments, and lifestyle management, often overlapping with each other due to the nature of the overall family requirements and goals. As is often the case, these wealthy families have complex international lifestyles and investments and therefore require sophisticated international strategies and solutions. This is especially so when deciding where and what investments to make.

In recent years, there has been an upward pattern in wealthy families purchasing real estate as a preferred investment class. Originally, these investments were directed towards residential property, but this now seems to be changing, with capital being divested from residential and moved into the commercial real estate sector. Some of the reasons include higher yields, longer term tenants, and higher capital growth over the term of the investment. Indeed,

Matthew Van Lorson
Sanova Real Estate Finance

every commercial real estate asset class and sector has seen an upswing in family office investment. This includes multi-family residential, mixed use residential and commercial, office buildings, retail, hotels, student accommodation, logistics, and industrial.

As mentioned, due to the international nature of wealthy individuals and families, any real estate asset acquisition or refinance must take into account tax planning, estate planning, asset protection, and privacy amongst many other factors. Considering the investment structure and how and where the asset is legally held is of paramount importance if these real estate asset investments are to be successful in the short, medium, and long term.

Often when family offices are acquiring real estate assets, they are purchased by specific newly formed Special Purpose Vehicles (SPV), often using an onshore local company structure. For example, purchasing an office building in the UK would usually be through a UK Limited Company. In turn, the directors of the company are usually UK-based directors, often lawyers or accountants or other trusted advisers. However, the shares in the UK SPV are often held by another newly and specifically formed offshore SPV in another jurisdiction. In turn, these offshore SPV structures usually have nominee directors and shareholders in order to protect the identity of the real owner.

The nominee directors and shareholders could be individuals or another corporation, which again adds a further layer of privacy and asset protection. And on and on it can go. At some point in the structural spider's web, the Ultimate Beneficial Ownership can be established via a Declaration of Trust between one of the offshore corporation nominee shareholders and the wealthy family that legally owns the real estate asset.

However, most wealthy families will have set up an offshore trust, which is often the legally established UBO, rather than the wealthy individual or family directly. This will, of course, be where the tax planning, estate planning, and investment planning started. Trustees will manage the trust on the basis set out by the Settlor of the Trust when established and act on behalf of the Beneficiaries of the Trust, who may be individuals and/or corporations, which can add further complexities to the overall structure.

In preparing and executing any complex commercial real estate acquisition or refinance, whether it be a single asset or portfolio, it is essential for family offices to plan and very carefully consider the right structures in order to determine the way forward. This is not an easy task by any stretch of the imagination, but if structured and financed correctly, it can yield the income and capital growth expectations in conjunction with strategic tax planning, estate planning, privacy, asset protection, investment portfolio planning, and any philanthropic planning.

Sanova Real Estate Finance is a boutique real estate capital advisory firm, with over 20 years' experience in property finance. We procure traditional, nontraditional, and Islamic finance for commercial real estate investment and development in the UK and Europe. We cover all asset classes and sectors, with loan sizes from £5m to £100m plus across the whole capital stack.

This includes sourcing, structuring and securing senior debt, mezzanine finance and equity through complex and sophisticated onshore and offshore corporations and trusts, on behalf of our real estate investors. This includes single and multi-family offices, trustees, RE Investment Funds, UHNWI, Equity REITs, Private Equity Funds, Institutional Investors and Sponsors, Sovereign Wealth Funds and RE Developers.

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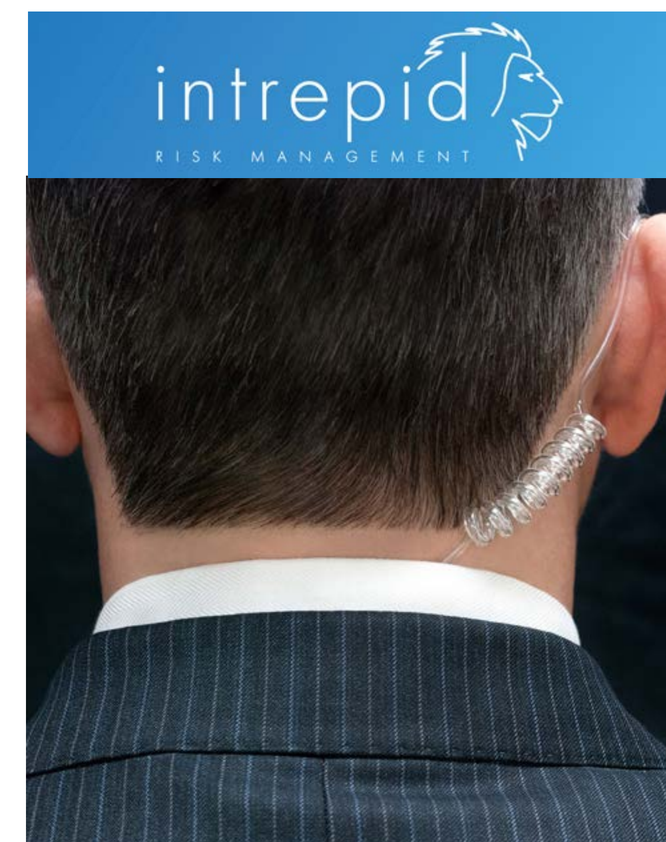

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When it comes to a test drive, you can have your chosen car delivered to your home, giving you absolute convenience? The team will also collect the car from your address, giving you the chance to spend your time experiencing the product and all it has to offer.

Their Private Office range consists of a number of new BMW models, including the first ever BMW X7, recently launched. Luxury without limits, the BMW X7 isn't shy. Charismatic design features make it stand out, from the new one-piece kidney grille to the expressive lines that flow elegantly to the eye-catching 3D L-shaped LED taillights. Add to this the brilliant 21" light alloy wheels, and curious eyes won't know where to look. They have a selection of unique models available, including the new BMW M8 Competition Coupé and Convertible, the latest models to be announced in the BMW range. These will also feature in the Private Office model range.

When you have selected and purchased your model of choice and the vehicle has been created and developed, expect home delivery to your door by one of their consultants, with your bespoke handover experience.

That isn't the end for your BMW journey, as the Private Office team provides ongoing account management and support for your BMW.

BMW Park Lane have designed the Private Office London to provide the ultimate convenience for customers, giving flexibility and control like no other car purchase offered on the market.

When you begin your next purchase journey, your could embark on it with their Private Office to organise an initial discussion.

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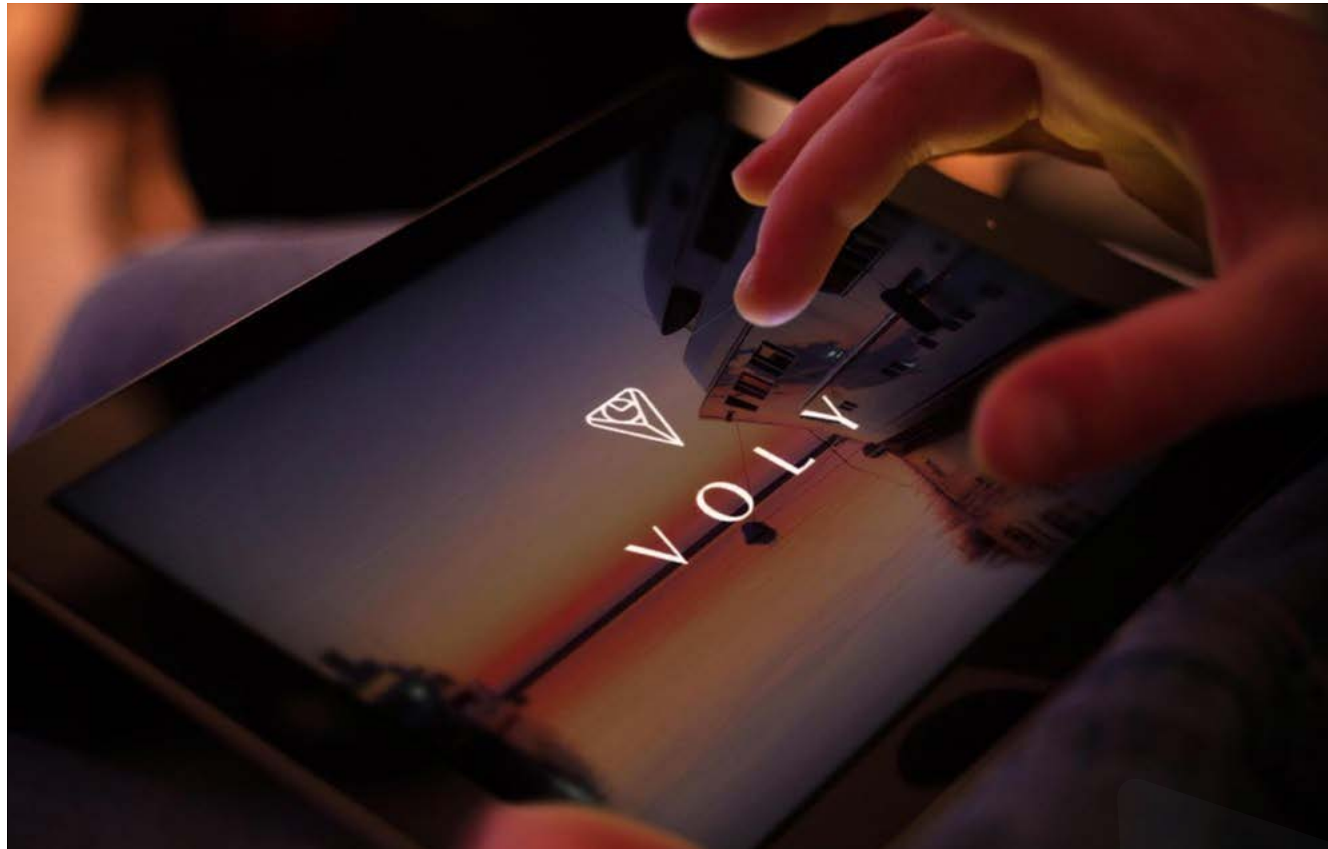
ACCOUNTING IN THE MODERN ERA



The digital revolution has transformed the way businesses manage their accounts in the modern era. The latest accountancy solutions offer a new and vast array of benefits that have triggered a surge in demand, which is set to multiply over the coming years. The best accountancy offerings out there mitigate against human error, ensure transactional spend and financial reports can be viewed in real time, provide multi-currency accounting, and can be customised to meet the needs of individuals or businesses alike. You can now track payments, trade currencies, and view and manage multiple accounts wherever you are in the world. 'Global working' is fast becoming the norm for millions with accountancy solutions that work across multiple currencies.

The beauty of such modernistic accounting technology is that it helps manage ever-increasing complexity ever more simply with software that feels intuitive and effortless. What would once be an administrative task taking hours can now be done in minutes – no longer do you need to be a trained accountant to manage and record expenses with today's solutions. Among the myriad benefits from these accountancy solutions, one advantage users tend to value the most is time-saving; this ensures businesses can save money and perform more efficiently by freeing up employees to focus on other crucial business operations day-to-day.

The best accounting apps are those that will deliver on the go, time-saving features, with the ability to review in real time for users who expect the same high level of sophistication they get from their smartphones and computers. The leading accounting super-apps are successful because they don't disappoint, offering transparency, the ability to work both online and offline and straightforward navigability, with, perhaps most importantly, robust cyber-security.

One accounting platform provider, Voly, offers a fascinating glimpse into what the next generation of users demand. Providing accountancy solutions for the superyacht industry, aviation and private estate management, Voly enjoys the success of a well-timed innovator into this niche market. Only three years after their inception, they are already the provider of choice to over 20 management companies, 200 plus yachts, as well as family offices based globally. It is, therefore, no surprise that they've seen their revenue growth increase by 187% over the past two years.

Ian Flanagan, Group CEO of Voly, explains, "The pace of innovation in the technology sector has been extraordinary, and we've worked hard to capitalise on that to make our accounting solution as smart as it can be. Captains focused on running a yacht have a limited amount of time for accounting, so our app must be intuitive while our clients are on the move, allowing for the once laborious task of account management to now take a fraction of the time that it would have taken previously.

"With crew joining and leaving the yacht at different locations around the world, our users require a fully integrated prepaid card and payment platform, and as most of our customers work globally, a multi-currency offering has been key. It can also be cost-saving compared to traditional bank rates for both same currency payments and FX fees. Because the financial requirements of a yacht can vary enormously, depending on its size, software must be customisable, so we have ensured that we can tailor Voly specifically to our clients' exacting requirements."

In a world where technology is always racing ahead, Voly is setting the pace with the imminent release of the latest version of their successful Crew App and upgraded web application, both of which will have new and improved features for admin and on-board users. Voly may be the only choice for today's discerning yacht owners, management companies, and family offices.

As the technological revolution continues apace, companies such as Voly are helping revolutionise the way we manage our finances and accounts.

About Voly:
As the number one provider to the yachting industry, Voly has helped revolutionise this sector. They provide yacht management companies, crew and family offices with reliable accounting processes that integrate seamlessly with daily operations, all of which has led Voly to become the industry's number one choice.

www.voly.co.uk

KEYLESS INVESTING IN PROPERTY

By Aidan McAvinue of Smith & Williamson

There is $8 trillion worth of institutional-grade commercial property in the world today, according to a recent research paper by the benchmarking agency MSCI. This co-exists with an unprecedented amount of hungry capital in the market, recovering from 10 years of yield-scarcity and desperately searching out alternative sources as interest rates remain stubbornly low. Property is an attractive source of that yield. However, the investor needs to consider factors such as unfamiliar environments, how the sector is evolving, plus the variety of ways to access and manage any investment opportunity.

Start at the start: why property?

'Bricks & mortar' is tangible, easily monitored, and potentially very lucrative; providing potential capital increase on disposal, rental income, and ease of leverage. Over the long term, property has generated favourable returns relative to the risk taken to achieve those returns, with evidence of 9%+ annualised returns over 20 years from commercial property (source, US Real Estate 1997-2017 BCA, MSCI Indices, Bloomberg, Cambridge Associates). The asset class is also becoming a vital tool for 'balanced' investment portfolios, as returns tend to be driven by economic expansion or GDP growth while maintaining relatively low correlation to equity markets.

Property is undoubtedly attractive as an investment case, but it is also exciting to consider the revolutions happening right now in how we work, study, shop, and communicate. The smart money is paying attention; according to Knight Frank's latest Wealth Report, we see an incredible mobilisation of capital in favour of property: 56% of family offices serving individuals with over $100m of assets said they had increased their exposure to commercial property in 2017, and 34% are planning future non-residential property investments outside of their home territory.

Rapid changes in the sector – opportunity and risk

Swathes of capital are flowing into sub-themes such as logistics and 'shiny sheds'; data centres; last mile delivery infrastructure, student accommodation. We are witnessing a revolution in the adaptation of technology; in less than five years, we've seen the explosion of disruptors; a booming gig-economy, and the co-working phenomenon (research WeWork or Dark Kitchens).

The rise of e-commerce is inexorable and creating a crisis for high street and traditional retailers: behemoth distribution centres with over a million square foot are now common but are less than a decade in existence and undergoing constant reinvention.

Accessing the themes

Only those with the most in-depth resources to absorb rising taxes on foreign ownership, spiraling costs, and potential losses can invest directly or 'hold the keys'. An increasing number of high-value investors join forces and 'hunt in packs' through joint investment vehicles, or they outsource to highly specialised sector experts.

Private Equity Real Estate Funds have proven an attractive route for those with large sums to deploy. These tend to be highly specific groups of professionals with exceptional networks, often able to evidence very high long-term returns. Private equity can be a vital component of an investment strategy and generally territory for those with the most significant buying power, such as pension funds or sovereign wealth funds. On the potential downside, these investments are predominantly illiquid, have no regular income flow to the investor, have minimums, high levels of leverage, and relatively hefty fees.

You might also consider co-investing with another family office. These partnerships typically take two forms: either a small number of families join forces for enhanced buying power and risk sharing; or situations where a passive player benefits from the high-expertise of another. Benefits include a significant reduction in costs and fees and potentially substantial returns commensurate with the ability to take higher risks and pickup opportunities swiftly. However, there are downside risks to these arrangements: a tendency toward informal decision-making, plus the potential for a lower standard of financial reporting and governance. If partnering with another family office, document the arrangement up front when times are good and outline mechanisms for reporting, dispute resolution, valuation methodology, getting out, and other factors for when times are bad.

Real Estate Investment Trusts ("REITs") offer an 'indirect' route to the asset class via a highly liquid instrument. With a universe of well over 600 REITs or similar vehicles globally, and in some cases a 50-year track record, this could be considered as part of a broader diversified investment strategy. REITs are a corporate body, listed on a stock exchange where they are cheap to access and the investor gets maximum liquidity.

The investor needs to have the composure to ride the volatility of a daily share price, but with the advantage of regular income and security of underlying, managed property assets and generally strict controls over reporting and leverage. Over the long term, US REITS have delivered similar returns to US Real Estate (c9% over 20 years), but with much higher volatility. On the downside, global REIT regimes are not consistent in approach, and valuation methodologies vary wildly. It is generally advisable to stick to large well-established REITs in Developed Markets. REITs are not to be confused with 'Open-Ended Real Estate Funds', where one must be wary of the risk of being 'locked in' during volatile markets.

Measuring outcomes

Finally, consider carefully how you compare your outcomes. The private equity sector can be notoriously opaque, but the better operators out there increasingly contribute to independent benchmarks for peer comparison. There are also major exchange-traded property benchmarks or indices that can provide some basis for comparison, but please be mindful of the scale of the market they cover. When presented with sell-side performance, wherever possible, try to find an independent comparison and avoid making decisions based on short term backwards-looking information. We are, after all, in the longest bull market since WW II.

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SHINING A LIGHT ON DISHONEST ASSISTANCE

By Phillip Brown, Associate at leading offshore disputes law firm Baker & Partners

In Group Seven Limited & Ors VS Notable Services LLP & Ors the English Court of Appeal unanimously overturned a trial judge's decision that an accountant was not liable for dishonest assistance in a breach of trust for his role in a money laundering scheme.

Group Seven, an investor, was subjected to a brazen €100 million fraud. It sought to recover the unreturned balance of stolen funds from a range of professionals and organisations alleged to be liable in tort and equity as secondary actors in the fraud. Following an 8-week trial in the High Court Martin Landman, an accountant, was found liable for the unconscionable receipt of trust monies which had been disposed of in breach of trust (which did not require a finding of dishonesty) but was found not to be liable for dishonestly assisting a breach of trust (which did). The appeal on the dishonest assistance claim was resolved in favour of Group Seven.

The decision is a rare instance of an appellate court overturning a judge's findings of fact, marking the most recent of a spate of cases since the Supreme Court's ruling in Ivey v Genting Casinos , which serve to illustrate the courts' meticulous application of the law of dishonest assistance and the role of dishonesty as an essential ingredient of accessory liability. In these respects, the Court of Appeal's judgment offers a salutary reminder to local industry professionals of the risk to them of becoming personally liable to compensate the victim of a breach of trust as if they were the primary wrongdoer.

So, what are the lessons for industry?

The client must not be king

An institution's culture can create unwitting failings in governance, which in turn enhance the risk of attracting liability as an accessory to a client's wrongdoing. It might be that an institution is inexperienced in dealing with HNW clients and therefore promotes a culture of significant deference to customers. Alternatively it might simply be that institutions and their personnel are not robust enough to maintain independence and apply proper scrutiny in the face of significant pressure from clients. These themes have arisen in the Jersey courts.

In the Group Seven proceedings, the trial judge (Morgan J) found that it would be unconscionable for Mr. Landman to retain a personal payment in return for his role in authorising payments out of Notable Services LLP's client account for the principal fraudster, Luis Nobre. He was personally liable to compensate Group Seven for that payment. He knew facts which would have shown an honest and reasonable man that Mr Nobre was not entitled to the monies paid into Notable's client account. Mr. Landman's failure to adequately question the propriety of transactions was, in part, because he had developed a personal relationship with Mr. Nobre.

Notwithstanding Morgan J's findings, he held that Mr Landman did not actually know, or have blind-eye knowledge, that the funds held in Notable's client account were not beneficially owned by Mr Nobre's company and were not at that company's free disposal. In the absence of such knowledge, the judge felt he could not make a finding of dishonesty. Mr Landman's conduct therefore did not amount to dishonest assistance of the breaches of trust, such that Mr. Landman was not personally liable for the balance of the funds.

Turning a blind eye will not do

The core issue on appeal was whether Mr Landman had been dishonest. What fell to be assessed was whether he had the requisite knowledge (or suspicion) about the ownership of funds in Notable's client account.

The Court of Appeal held that Morgan J had erred in his assessment of Mr Landman's blind-eye knowledge, having placed insufficient weight on his unconscionable receipt and concealment of the personal fee, which it described as a "bribe". The Court further made clear that even suspicions which fall short of constituting blind-eye knowledge are relevant to the question of whether an accessory has acted dishonestly, and these are matters which will be taken into account in forming the overall picture of an accessory's state of mind, and to which the objective standard of dishonesty is to be applied. In this way the Court has narrowed the scope of defences available to accessories to a breach of trust or fiduciary duty.

Dishonesty remains the battleground

In its application of the Supreme Court's ruling in Ivey, the Court of Appeal's decision serves to reinforce the prevailing law in Jersey- namely that the test for dishonesty in claims for dishonest assistance is an objective one.

There have been no reported decisions in Jersey on the interpretation of dishonesty post-Ivey. The long term effect of the decision in England is yet to be determined but it is likely that Ivey has aligned the criminal test for dishonesty with the civil test by abrogating the subjective element, namely whether the defendant realised that his conduct was dishonest according to the standards of ordinary and reasonable people. It will be interesting to observe whether Jersey follows this approach in future criminal cases, which is considered likely.

Conclusion

The decision reiterates the importance for professional service providers of being naturally skeptical about information provided by a client or third party, and of avoiding the temptation to close one's eyes and ears to potentially material facts. Where suspicion exists, it is incumbent upon service providers to take proper steps to confirm the true state of affairs.

THE IMPACT OF THE NEW SWISS FINANCIAL MARKET REGULATORY ARCHITECTURE ON MULTI-FAMILY AND SINGLE FAMILY OFFICES

Dr. Martin Liebi LL.M
Price WaterhouseCoopers Legal, Zurich

The new Swiss Financial Services Act (FINSA) and Swiss Financial Institutions Act (FINIA), set to enter into force on 1 January 2020, comprehensively regulate the provision of financial services and the institutions providing these financial services in Switzerland for the first time.

Multi-family offices domiciled in Switzerland and operating under the title of 'trustee' or 'portfolio manager' will have to be authorised by the Swiss Financial Market Supervisory Authority FINMA. The new provisions also set out registration duties for any client advisors of multi and single-family offices not domiciled in Switzerland, service clients in Switzerland on a cross-border basis, and the obligation to affiliate with an ombudsman. The new rules will generally affect single and multi-family offices who provide financial services in Switzerland, or for clients residing in Switzerland.

FINSA

Scope

FINSA will regulate the provision of financial services provided from single and multi-family offices not licensed by FINMA based in Switzerland and by single and multi-family offices providing cross-border financial services, even if only on a temporary basis, for clients residing in Switzerland. The key financial services that will come under the new rules are asset management and investment advice, while financial instruments affected include equity and debt securities, units in collective investment schemes, structured products, derivatives, and structured deposits. Unlike under the FINIA, both single-family and multi-family offices are generally within the scope of application of FINSA.

The new obligations

To qualify as a provider of financial services, practitioners will need to comply with various behavioural, documentary, and organisational obligations. The obligations are, at their core, similar to the ones applicable under the EU Markets in Financial Instruments Directive II (MiFID II); however, they do diverge in some instances. Particularly, many of the behavioural obligations will only apply to a limited extent, because most clients of single and multi-family offices are professional investors or qualified investors under the FINSA. Key new obligations are, however, conflicts of interest (best execution, retrocessions, and the like) and obligations to document and render account.

The key new obligation under FINSA, for client advisors of non-Swiss licensed single and multi-family offices, respectively, non-licensed Swiss single and multi-family offices is the obligation to get entered into a client advisor register prior to the provision of any services, even if the client is only a temporary resident in Switzerland. Requirements for entry into the register include, in particular, sufficient knowledge of the behavioural rules under FINSA and financial services know-how, pertinent to the activity provided and affiliation to an ombudsman. Both the client advisor register and ombudsman are expected to be operated by Regulatory Services, a group company of the Berne Stock Exchange.

Non-compliance with the obligation to get entered into the client advisor register are draconian for Swiss financial market regulations. Deliberate non-entry into the register can also lead to imprisonment of up to three years and non-diligent non-entry to fines of up to CHF250,000 per case.

FINIA

Scope

Asset managers of collective investment schemes and pension assets have already required a license under the pre-FINSA regulatory regime. FINIA requires first time Swiss domiciled multi-family offices operating as portfolio managers or trustees in Switzerland to seek a license from FINMA. Single family offices are exempted to the extent that they are held by the family office to which they are providing their services.

While portfolio managers and trustees may also provide investment advice, portfolio analysis, and offer financial instruments, they will require additional authorisation if they wish to operate as trustee and portfolio managers at the same time.

Authorisation requires a place of effective management in Switzerland that complies with the required organisational requirements. They must also have a regulatory capital of CHF100,000 to CHF2.5 million, as well as a risk management and internal audit function, depending on the size of the operation.

If non-Swiss domiciled trustees and portfolio managers with overseas offices wish to establish a branch or representation office in Switzerland, authorisation of that local branch or representation office is required.

Implementation deadlines

Most obligations under FINSA and FINIA will enter into force on 1 January 2020. However, for most of the provisions relating to financial service providers under FINIA, a transition period of between six months to one year will be given; for trustees and portfolio under FINIA, the transition period for which to report to FINMA is six months, and they must submit their authorisation application and be affiliated with an ombudsman within two years.

For further information, please contact:
Dr. Martin Liebi LL.M. (Stanford), ALM (Harvard) attorney-at-law (Switzerland/New York), PricewaterhouseCoopers Legal, Zurich, Switzerland, Martin heads the capital markets team at PwC Legal Switzerland.

He is a regular speaker at leading conferences, a lecturer at the LL.M. in Banking & Finance (University of Zurich), and a judge at the commercial court of Zurich (capital markets/banking)

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IMPACT INVESTING: NEW WAYS TO INVEST OLD MONEY

By Toby Castle and Grace Mathew

Family offices are being transformed by their social conscience - and it's not just changing the way they give, but the way they live.

The past two decades have seen a rapid evolution in the role and influence of family offices. Described as an investment phenomenon, the number of family offices has increased ten-fold over the last ten years, leading to increased recognition of their significance in driving change by influencing the market and social outcomes. The capacity of ultra-high-net-worths to actualise transactions in a space previously occupied by investment banks, private equity firms, and hedge funds is unprecedented, with The Wall Street Journal reporting that since 2011, "three dozen hedge funds converted into family offices."

This upward trend can be linked to what Private Equity International (PEI) describes as family offices' "positive, proactive approach" to private investment. PEI's 2017 Annual Family Office and Private Equity Survey reported that family offices continue to be among the leading investors in private equity.

With this greater influence comes greater responsibility. Led by household names such as Bill Gates, Warren Buffett, Richard Branson, and Estee Lauder's family, globally minded family offices are recognising their growing agency and catalysing private equity in the for-profit and philanthropic spaces.

Specifically, four key trends are shaping the orientation of family office investment: ethics; financial transparency; impact investment; and preventive health care.
Meeting this challenge head-on is the Stetson Family Office (www.stetsonfamilyoffice.com). The third generation family office was established in 1919,

Chuck Stetson
Stetson Family Office

when Eugene W. Stetson led the public offering of the Coca-Cola Company and proceeded to merge The Guaranty Trust Company, of which he was chairman, with the much smaller J.P. Morgan. After growing tired of traditional private equity, with its focus on bottom lines, current SFO principal and CEO of Global Better Health Chuck Stetson turned his attention to the impact that could be made through strategic philanthropic and for-profit investments.

"We conducted three years of international, on-the-ground research to gain deep insights into the areas of greatest need and greatest opportunity in social impact investing," said Chuck, speaking from his New York office.
"Through this, we realised that the well-being of the individual is paramount to the well-being of society, so our focus shifted to healthcare and disease prevention."

Angie Cleone, CEO of Sydney-based Cleone Capital (www.cleonecapital.com), a global healthcare fund manager that connects investors with life sciences innovation, had similar findings.

"It is very clear that to create sustainable, widespread change, a new model of life science investment and philanthropy is required. Traditionally, pharmaceutical companies have directed research investment towards finding the next drug. Now, the focus needs to turn from cure to prevention," she said, citing her own cancer journey as the inspiration for her interest in the sector.

Grace Mathew, SFO's Managing Director, observed that family offices are in a unique position to direct investment and philanthropy through a more strategically impact-driven approach than highly regulated funds.

"Research is showing that up to 50% of all Alzheimer's and dementia cases could be prevented or delayed with lifestyle interventions, such as proper exercise and nutrition, and a huge proportion of cancer is similarly preventable. If there was a drug with that rate of efficacy, billions of dollars would be poured into it. Prevention may not seem as exciting as finding a cure, but it's proving to be a lot more effective."

"We need to move the needle on how governments, pharmaceutical and insurance companies are addressing the healthcare crisis, with greater emphasis placed on prevention, low-cost diagnostics, and early intervention. With greater discretion in capital allocation, family offices are well placed to be a catalyst for change."

Consequently, the Stetson Family Office reoriented its engagement towards preventive health in 2015 and is now the global leader of a multi-pronged approach to prevention and support for innovation, in alignment with the UN Sustainable Development Goal #3: Health and Well-being.

Recently partnering with Cleone Capital to raise awareness and capital for innovations in longevity and life sciences, SFO began a series of Global Family Office BioForum events to discuss breakthroughs in healthcare.

"We found that family offices are very eager to engage and learn more about the health and wellness space, which has very different dynamics to other kinds of investment," said Chuck.

"We now have a network of hundreds of like-minded family offices around the world who meet regularly in 19 locations to share learnings, co-invest, and drive change in a space where it is sorely needed."

Commenting on the partnership, Angie said, "Facilitating educated discussions and investment decisions in such an important space is something we are passionate about. The Global Family Office BioForums provides a unique opportunity for families to have open discussions in a safe space, whether they are experienced or new to the area."

The reorientation of family offices towards socially minded practices has not merely placed preventive health at the forefront of philanthropy, but also investment. The confluence of impact investment and ethical collaboration between funders and researchers has allowed family offices to emerge as leaders in ethical investment.

For more information
www.globalbetterhealth.org

CAN A CHAMBER OF COMMERCE HELP YOUR FAMILY BUSINESS?

by Bob Juchter van Bergen Quast

A Chamber of Commerce has traditionally furthered the interests of businesses in a particular geography or market sector by way of representation, business services, and networking opportunities. Multilateral Chambers of Commerce can link the business environments of two or more countries, such as The Swiss Chamber of Commerce in The Netherlands. International Chambers of Commerce, such as the European Chamber of Digital Commerce, aim to boost companies' reputation and growth in a particular business sector, such as Digital Technology. Some are governmental, nonprofit, or private organisations.

Here are some unique benefits that Chambers of Commerce can offer businesses in an independent, impartial manner.

Courts of Arbitration

Chambers of Commerce can feature an institution for the resolution of commercial disputes. Businesses often seek to resolve disputes through arbitration because of the potential advantages this process has as opposed to resolving issues through the courts. For example, parties can select an arbitrator with an appropriate degree of practical experience. Arbitration is often faster than litigation in court, and a time limit can be placed on the length of the process. Unlike the courts, there are very limited avenues for appeal of an arbitral award, which limits the duration of the dispute and any associated liability. Arbitration can be cheaper and more flexible, more commercial, and less formal than court. Unlike court rulings, arbitration proceedings and arbitral awards are confidential. Also, due to the provisions of the New York Convention 1958, arbitral awards can be easier to enforce in other nations.

Connections with Investors

In addition to helping businesses become set up and established, Chambers of Commerce can help businesses attract professional investors through their networks, which can often involve thousands of potential funders, including family offices, venture capital and private equity firms, private banks, hedge funds, and M&A advisors based upon specific capital or business development needs. Chambers of Commerce can facilitate introductions and meetings and provide services that can help a business with their market entry and strategy, governance and compliance, and create win-win propositions for themselves and their stakeholders.

Specialised Advisory

Chambers of Commerce can provide commercial counsel on trade, international regulations and governance in a particular sector, such as fintech or blockchain. Additionally, more specific advisory functions can include market research to inform industry interests on current or future trends or even subject matter expertise through a Chamber of Commerce's network of experts in the field. Chambers of Commerce often publish special reports or annual reports, which inform both government and business interests about information across industry verticals.

Business Events

One of the most interesting offerings through Chambers of Commerce can be through its events, which can include speakers from an industry's top thought-leadership or political leaders, such as ambassadors or heads of state. Events can provide an opportunity to learn about innovation trends or connect with industry leaders. They can also offer peer-to-peer collaboration, Q&A forums, or celebrations around awards and recognition within a business community.

Chamber of Commerce events can be geared towards helping businesses find partners and build business relationships through engaging programming. Events can also provide sponsors with an opportunity to enhance their visibility and branding among their target audience. When businesses are looking to expand their presence or interface with the global community, a Chamber of Commerce can also serve as an information resource for upcoming exhibitions, conferences, and seminars in the region.

Exclusive Benefits

Most Chambers of Commerce offer their members exclusive benefits, such as access to a membership directory containing as many as thousands of business contacts, the use of their logo for branding purposes, inclusion in articles put out by the Chamber of Commerce, helping to increase the visibility and credibility of a business, access to an exclusive network of service providers, opportunities to contribute to publications or annual reports, and opportunities for a business to make its voice heard through the advocacy efforts, policy-informing activities, and task forces of some Chambers of Commerce.

Whether a business is looking to gain new connections and partners, enhance its growth, engage in industry activities, or influence the international trade climate in which it operates, a modern-day Chamber of Commerce can help catapult a business to the next level of success through a broad and deep range of engagement. Chambers of Commerce provide an ideal setting for vibrant relationships to be built, for the future of an industry, and for building a country's economic prosperity through a thriving business environment.

About the author: Bob Juchter van Bergen Quast, LLM, FSS, is a lawyer and Fellow of the Royal Statistical Society. He is also Chief Executive Officer of the Swiss Chamber of Commerce in The Netherlands and of the European Chamber of Digital Commerce.

www.europeanchamberofdigitalcommerce.com

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COMMERCIAL PROPERTY

by Alex James, Private Office Commercial at Knight Frank

A WEALTH OF OPPORTUNITIES

Commercial real estate is very much the asset class of choice for many Ultra-High-Net-Worth Individuals (UHNWIs) and family offices. While the drivers behind the investment purchases vary greatly depending on the motivations of the individual, there are many common themes as to its popularity. In the global real estate marketplace, private investors and family offices already have a strong presence, and they are becoming an increasingly important force, with almost a third of all global commercial property transactions last year involving private capital, according to the Knight Frank Wealth Report 2019.

In fact, this research shows that 21 percent of all private wealth is held in real estate investments of some kind, excluding primary residences and second homes, whilst 78 percent of UHNWIs have mixed residential and commercial portfolios. The number of UHNWIs, which is classed as those with $30M or more in net assets, is increasing, meaning that we can expect to see more investment into global commercial real estate in the future. The number of UHNWIs rose by 7,091 in 2018 alone, taking the total to 198,342. There are some clear themes that has led to the popularity of commercial real estate as an investment.

Risk mitigation

Risk, especially political and economic, is high on investors' agendas. Individuals are looking to diversify at both a portfolio and geographical level. Real estate provides the ability to achieve targeted investment decisions in terms of location, sector and tenant components, as well as provide regular income and an underlying asset with residual value.

Control

One of the consequences of the global financial crisis was that many investors looked for more control over their assets. Real estate, with its direct ownership structure, diversity of lot sizes and choice of asset management approaches is attractive to those not wanting to pass decision making to third parties or be constrained by the closed-end fund model of transacting at specific times, plus the need to reach an alignment of views between the investors.

Currency diversification

While foreign exchange returns are not generally a driver for property investment, currency movements and capital controls have, in some instances, been a trigger for investors looking to externalise capital from locations implicated.

Portfolio globalisation

Many UHNWIs have, either directly or indirectly, allocated part of their asset portfolio to real estate, and as they accrue more wealth, they increasingly become fully exposed to their domestic market and look to new markets to diversify their portfolios.

These themes, plus individual investor specific drivers, continue to attract private investors towards global real estate. The top markets targeted will primarily be those exhibiting solid fundamentals, including tenant demand, liquidity and transparency.

New choices

In addition to increasing investment into commercial property, the diversity of the origins of the capital and its destination are changing. Whilst traditionally investment has tended to focus on the office and retail sectors, we are now seeing that these allocations and weightings are shifting. We are now advising our clients on strategic investments in growth sectors, including urban logistics, leisure and specialist operating assets, including student housing, hotels and care homes. The specialist sector in particular has seen a rapid growth in popularity, owing to typical rent review structures linked to inflation and their longer lease lengths.

Overall, property as an asset class remains high on the agenda of private investors, and I predict that industrial property will replace retail as a major component of portfolios by 2023, alongside an increase in specialist sector investments

Knight Frank – Private Office Commercial

The Private Office Commercial team provide clients with a personalised high quality service overseen by a dedicated client relationship manager. Whether you are looking for help to buy, sell or discuss existing commercial property investments in the UK, Europe or around the world, the Private Office Commercial team provides investors with direct and targeted investment opportunities across all sectors. Our global team of experts, supported by our dedicated research department, offer you the guidance that you need throughout the full life cycle of property ownership.

www.knightfrank.com.

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ARE YOU PAYING THE RIGHT PRICE FOR THE FAMILY JET?

by Michelle Wade

HNW families buy and utilize aircraft.

When you need to purchase another aircraft, you initially hire an aircraft broker referred by a colleague. You agree with the broker on its services and the fee you will pay, and consequently, you believe the broker will act in your best interest.

The broker brings you a list of available aircraft, identifies their differences, and discusses what price to offer the seller. Based on the information you receive, you decide on an offer, and the broker is to convey your offer to the seller. There are negotiations, the offered price increases, and you have an agreement.

After the closing on the purchase, you discover an ad on the Internet with a photo of the aircraft you bought with a "sold for $xxx" banner. The $xxx amount is $100,000 less than the purchase price that you, the buyer, paid. Was this ad reporting an inaccurate sales price? Actually, the ad reports the price the seller received, and you just identified a back to back (B2B) transaction.

What may have happened is the broker became a middleman and entered into two contracts, which are identical except for the purchase price. The broker bought the aircraft from the Seller for $xxx, and the broker sold the aircraft to you, the buyer, for $xxx + $100,000. The broker kept the $100,000 plus received the commission.

B2B transactions are known in the aviation industry; however, most buyers and sellers of aircraft are not aware of B2B transactions. In a B2B, the buyer and seller do not have a direct contractual relationship, even though the transfer of title from seller to middleman to buyer is nearly simultaneous. Some brokers are also dealers and openly purchase an aircraft, register it in their names, have upgrades performed, and then market it. These transactions are transparent and do not fit within the B2B definition in this article.

There are situations in which it is useful to utilize a transparent B2B. When the seller has the aircraft registered outside the United States and the buyer wants to purchase an aircraft already registered in the United States, the broker, as the middleman, may enter into a contract with the seller to purchase the aircraft, and the middleman enters into a substantially similar contract with the buyer to sell the buyer the aircraft after the aircraft is registered by the middleman in the United States with a US certificate of airworthiness. The transaction is transparent to all parties, the parties agree on who pays for the various parts of the B2B transaction, and each is able to minimize their risk in the transaction.

Besides a higher purchase price, there are additional risks for the buyer with a B2B. If the middleman did not place an additional deposit into escrow for the contract between the middleman and the seller and the middleman defaults, the seller may terminate its contract with the middleman and receive the buyer's deposit, even if the buyer has not defaulted.

An aircraft is positioned at closing to take advantage of a specific tax exemption, but due to the B2B, neither the seller nor the buyer confirms that the exemption is applicable for both transfers of title, the one from the seller to the middleman and the one from the middleman to the buyer. A lien for taxes may be filed against the aircraft.

The buyer's broker may determine the scope of and oversee the pre-purchase inspection. When that broker is also the middleman, its interests conflict with the buyer's interests if the middleman's goal is to promptly close to obtain the commission and $100,000, while the buyer's goal is to obtain a quality aircraft, even if it requires an additional two weeks to close.

If the seller fails to deliver the aircraft at closing, the middleman will not have an aircraft to deliver to the buyer, regardless of the terms of the middleman's contract with the buyer, while the buyer has incurred transaction expenses and pre-purchase inspection expenses, as well as lost valuable time towards the buyer's goal of buying an aircraft.

There are also risks for sellers involved in a B2B. The seller does not know the name or location of the end-user. With today's KYC requirements, the seller wants representations directly from the buyer, not a middleman, regarding compliance with laws and the legal source of funds. A seller risks that a governmental authority will look through the B2B to impose an obligation on the seller to have performed due diligence on the buyer.

Real risks exist for both buyers and sellers in a B2B, but without a transparent transaction, neither party can minimize its risks.

Unfortunately, the number of B2Bs appears to be increasing with business jet transactions, although exact numbers cannot be identified. Curbing this practice is challenging.

The broker, as the buyer's agent, has probably violated their duty as an agent in a hidden B2B. Government regulation specifically for aircraft transactions is not feasible. Aircraft transactions occur across borders and involve many jurisdictions. Therefore, a jurisdiction with strict regulations is easily avoided by moving the aircraft transaction to a different jurisdiction.

Two major aviation industry associations, the National Business Aviation Association and National Air Transportation Association, adopted ethics codes, but they are merely guidelines. Consequently, a broker is able to create a B2B, regardless of these guidelines. The best way to avoid B2Bs is with contractual mechanisms and oversight.

HNW families do not enter into aircraft purchase and sale transactions every month. Aircraft sellers and buyers deserve transparent transactions for the purchase and sale of aircraft. Without governmental regulation or industry self-regulation, adoption of contractual protection mechanisms to reduce the risks of hidden B2Bs is the most effective way for sellers and buyers of aircraft to protect themselves.

Michelle Wade and Philippe Renz launched Clean Aero to improve transparency and ethics in the market of aircraft sales and acquisitions.

www.clean.aero

FAMILY OFFICE: CREATING A PLATFORM FOR TRANSGENERATIONAL VENTURING

Over the last few years the financial markets have been drowning in private equity money. Investors have turned to German and European Mittelstand and firms as promising investment opportunities.

Many enterprising families took advantage of the resulting historically high valuations for a strategic exit. These families now face the challenge of managing significant financial wealth as a new but integral part of their family business and identity. Family control, identification and emotional attachment to the family business and transgenerational transfer are at the core of the families' entrepreneurial identities.

Outsourcing wealth management to multiple family offices or banking professionals potentially violates this identity and the family business culture. Entrepreneurial families have approached us to advise them on how to navigate this area successfully. While family structures and scale of wealth always differ, the objective is often very similar: assist them to find a way to use newly acquired financial wealth as a safeguard and transgenerational enabler of their entrepreneurial identity and drive. We use a three-pronged approach to help entrepreneurial families in this transformational challenge.

1. Defining a value-based mission is vital. We start the dialogue on values and mission centred around one key question about family logic: "What comes first, the family or the business?" In a family-first setting, it's about power, experience, and culture. In a business-first family, it may be autonomy, risk-taking, innovation, and proactivity. In both cases, we help the families negotiate a clear understanding of the parameters and agree on a consistent hierarchy within the family and their values.

This crucial for the next generation, regardless of their (prospective) shares or roles in the family business. Giving the next generation a voice in the transformation process makes this more complex and time-consuming but can

Dr. Christian Schiede
Schiede, Hülsbeck & Partner

lead to transgenerational learning, commitment, and unity. Family identity and culture are both vital to successful transgenerational entrepreneurship but cannot be managed or bought; investing both time and money in the process yields high returns in the long-term. Given the natural tendency of opposing stances between senior family members and the next generations on risk taking and family logic, patience is crucial.

From our experience, resistance to transforming the family business have its root cause in this arena. It is crucial to be very clear about the outcomes and prerequisites of this risk taking propensity. Only then can the family realistically assess if this is aligned with their family logic and entrepreneurial identity.

We utilise risk taking and family logic as pivotal points at this stage. It need to be demonstrated that a lack of consensus on these points have a clear outcome. In such cases, we advise family members to consider seeking individual investment opportunities rather than retaining the family wealth based on an ill-conceived compromise.

2. From the value-based mission, we advise on a long-term strategy for the entrepreneurial family. We lay out three basic options to be discussed and then decide upon: Diversification; innovating the core; and harvest what's there. Not all entrepreneurial families we've worked with understand a harvesting strategy is disputing a high risk taking propensity. The more diverse the group of owners we face regarding training, professional background, and involvement in the family business, the more important it is to teach owners about the competing goals of these strategies.

Depending on the logic of the families we worked with, their choice is more generally between diversification and innovation. While both options can make perfect sense, we like to challenge a business-first family preferring diversify. Diversification, even around the core business, is more about reducing risk and is more likely to introduce a family first logic.

While the strategic choice can often come naturally, given the history and capabilities of the family, working out the specifics of growth, profit, and value at risk is difficult to do. This process can be strenuous, but it's well worth it to work out family-specific key performance indicators. The family will be able to use these KPIs to evaluate investment opportunities, monitor their portfolio, control outside directors, and review and adapt the chosen strategy regularly.

3. Design organizational structures to implement the long-term strategy. Most importantly, we encourage the entrepreneurial family to think about the organization of their family office as designing the vehicle best suited to deliver their strategic objectives. Most entrepreneurial families we've worked with already have a holding or asset management company in place. We prefer to revamp these existing structures along with the transformational process within the family instead of following a greenfield approach. The advantage of engaging in a potential tedious or political change in the management process of an existing company is that the company structure has been built upon and has grown with the family identity.

The family values and culture embedded in the existing organization will help transfer the values into the new entrepreneurial identity. Making the family office work as a platform for corporate venturing that goes way beyond compliance, legal, and tax.

The tasks, competencies, and responsibilities of family members governing the management of the ventures should be clearly defined and communicated. The same is true for all the tasks, responsibilities, and competencies involved in adding or exiting a venture. Only then, will the entrepreneurial family have the full picture on the roles and capabilities necessary to get the job done successfully and then the conversation about family involvement can start.

Dr. Christian Schiede is Managing Partner at Schiede, Hülsbeck & Partner, an advisory firm based in Munich, Germany.

At Schiede, Hülsbeck & Partner, we believe in the power of family ownership advantage. We work with enterprising families leading private business groups, family offices, and family foundations.

We focus on the intersection of complex governance, strategic, and emotional challenges. As each enterprising family we work with is unique, we have no one-size-fits-all answers. As trusted advisors, we help enterprising families realize their true potential and increase their ownership advantage together.

www.shpadvisors.com

DO YOU NEED AN M&A ADVISOR, ARE THEY WORTH THEIR FEES?

Potential clients often ask the question: What is the value added of hiring an M&A advisor?

The answer to this question may vary, depending on who's asking. If the person asking the question is the owner of a family business who's considering the sale of the business to a third party, the response is clear: Would you consider leaving the top management of your business to someone who has never run a company before? Most likely, the answer is no. The sale of their firm is probably one of the most significant decisions a family can make. Why consider leaving the execution of one of "the biggest decisions of your life" to someone who is not an expert in this field? Or, even worse, try to execute the transaction on your own?

An acquisition may be a different matter, as family-owned companies or family offices often have more experience with buying companies than divesting. With few exceptions (significant acquisitions that require substantial leveraging), the future of a company and family does not depend only on the successful execution of the acquisition process. That said, robust due diligence and good contractual covenants will lessen the number of surprises in acquiring a business, and this alone is reason enough to hire an independent advisor.

The key aspects of both responses are process and experience. The sale or acquisition of a company is a process, which may or may not run smoothly and largely depends on the experience, time, and attention of the person or organisation running the process. In particular, as the process varies from case to case, it is vital that the person running it has years of experience with the way the process may develop. A well-run sale or acquisition process by an experienced professional will save you uncountable hours in the form of delays, unnecessary meetings with potential buyers or potential targets, and reputational embarrassments.

Jennifer Maag
Capital Concepts International

So, is the advice worth the fees?
M&A advisors and investment bankers typically charge between 1% of the Transaction Value (or even less for substantial transactions) and 5% (in Europe) to advise on M&A transactions. The question is whether the savings in acquisition price or additional sales price, as well as a reduction in post-transaction issues through expertly negotiated contract structures and reps and warranties, are higher than the fees charged. In my almost thirty years of M&A Advisory, I can say that in 90% of the transactions, the benefits for the clients in the advisory were higher than the fees charged.

Let's illustrate this last point with two examples:
(i) A client approached us with an acquisition opportunity for which they had already submitted a non-binding offer for $30 million. They only wanted advice on the execution of the transaction, as the management team did not have much acquisition experience. We quickly recognised that the client had overestimated the value of the target and there were not many other buyers around. We, therefore, assisted the client in due diligence, followed by a renegotiation of the purchase price and, together with a lawyer, the sale and purchase agreement. The purchase price for the acquisition was, in the end, less than $10 million with a very buyer-friendly sales and purchase agreement.

(ii) On the sell side, the process is just as necessary. A client came to us and wanted to sell the business he had built up over 30 years. The decision to sell had been triggered by an approach from a competitor, who had offered what he considered to be a fair price. Following our advice, the owner opened the discussions discreetly to a few (2-3) interested parties.

This competitive process ensured that the final offer was: a) above the initial offer from the interested party; and b) tested on the market, therefore avoiding discussions amongst the family members/ shareholders about whether or not they might have achieved a higher sales price.

Too often, family-owned companies trade on what they see as discretion against maximising the results of a sales process. Depending on whom you choose as an advisor, both discretion and maximum results should be possible. In particular, smaller M&A boutiques are known for their discretion and attention to the needs of the family/owner when executing an M&A transaction.

About the author
Jennifer Maag founded Capital Concepts International (www.capitalconcepts.ch) 20 years ago. Based in Switzerland, Capital Concepts advises family-owned and entrepreneur-influenced organisations (including publicly traded companies) solely on Mergers, Acquisitions, and Divestitures ranging from $10-$500 million.

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CO-INVESTING: OPPORTUNITIES AND CHALLENGES

Wealthy families have been working together on co-investing opportunities for as long as there have been wealthy families. So, what factors should be considered when looking at a potential collaborative investment?

There has been a renewed focus on co-investment since 2008, with families looking for more control and greater alignment between themselves and their trusted co-investment partners.

Many families appreciate the value of working more closely with peers whose interests and motivations mirror their own. They are typically active and entrepreneurial people who don't want to write a cheque and wait - they want to make things happen.

Co-investments involving complementary and cooperative engagement can offer more significant potential for participants to feel that something more than just money is involved; they give families an opportunity to contribute and create something worthwhile.

Co-investment can also bring benefits of control, the potential for higher returns, access to geographic/sector expertise, cost advantages, and risk mitigation.

When considering a co-investment opportunity, the most crucial issue to consider is trust. This is often driven by diversification. Typically, a family has made a lot of money doing what it does and knows best, then it wants to make that money work harder and achieve more – which inevitably means venturing outside its comfort zone.

However, who can it turn to as its guide in such unfamiliar territory? A peer whom it can trust. Very often, such trust forms the basis for the pooling of expertise: we know real estate, you've done well in fintech, let's look at deals that allow us to capitalise on your expertise, and you on ours.
It is not just about trust, of course. A family needs to know that its partners can be trusted with its money

Paul Pratt

Head of the PKF Funds and Family Office team

and they are people it wants to work with. Who are they? What do they believe in? What are their ethical underpinnings, ambitions, and drivers?

Families contemplating co-investments bring more to the table than just cash, and they look to take away more than a good return on their investment. This is not solely about working together. It is about achieving something worthwhile together – and that demands more than just trust and financial capability.

While wealthy families have been engaging in co-investments for centuries, the recent emergence of new facilitating mechanisms has changed the rules. Traditionally, a family might work with a peer it knows; now, with the help of peer associations, the family can access opportunities from far further afield and seek partners from around the world, whether they are families or funds to co-invest with. This makes getting to know your partners even more important.

Co-investment is not without its challenges. When considering a partnership, it is important to consider issues such as deal sourcing, due diligence, counterparty risk, deal flow management, and objective alignment.

Matters become more complicated still when they involve deals originating with people you do not know who are proposed by people you do. Trust once removed – or more. Or deals where the web of participants becomes unclear. Many family-to-family deals, by their very nature, involve not person-to-person relationships, but people-to-people relationships. A family may feel comfortable dealing with people with whom it is familiar, but things can become complicated if a less 'qualified' family member, who is yet to earn trust, starts to introduce new opportunities. Ultimately, families want to avoid a 'nightmare scenario', in which value is lost and family disputes arise.

However, there are three questions that you can ask when assessing a potential opportunity:
Is this deal right for us? Does it feel right? Does it feel 'us'?
If I look under the bonnet, what will I find? Do the numbers add up? Does the rationale make sense? Are the ethical aspects in order?
Can we work with this family or fund? Are they like us? Can we trust them? Do they trust us? Will we see eye-to-eye on any issues that may arise?
In the absence of professional advisers, it is up to those proposing to co-invest to ensure that the bonds of trust are not overstretched; that they maintain a clear picture of what is really involved; and who is actually in control. Potential deal-makers have to be aware of the risks and have a fallback position if worse comes to worst.

One final point. Some families might consider actively rejecting deals brought to them for counter-intuitive reasons: not because they did not like or trust the family proposing, but because the value of the relationship is worth more than the potential of the deal. When investing with those you know and trust, it makes sense to apply more stringent scrutiny to ensure that if things went horribly wrong, the blame could be pinned on some aspect of the process, rather than the people involved.

Co-investment opens up considerable new opportunities for families, which is why family-to-family or to fund deals are enjoying a renaissance, although more tend to talk about it versus doing it. However, there are also pitfalls to consider, and it is important for potential partners to undertake the necessary work up front to prevent problems later on in the process. Conducting due diligence on your partners and your deals and gaining assurance that your co-investees are aligned with your investment, values, and cultural outlook can be critical to the success of your venture – and can help you create something genuinely valuable, in all meanings of the word.

Paul Pratt is head of the PKF Funds and Family Office team in London and is himself a member of a family business.

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ENCHANTING CROATIA

HISTORY, BOUTIQUES AND BEACHES ON A LUXURY YACHT CHARTER

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by Rachael Steele: CharterWorld

The beautiful pure blue seas and skies along the Istrian shores and Dalmatian Coast are the initial lures for couples and groups considering a luxury yacht charter in Croatia, but there is so much more to uncover by motor yacht or sailing yacht.

UNESCO World Heritage Sites, active arts programmes, city-wide summer parties, and nearly infinite snorkel and scuba dive sites will easily pack a week-long activity regardless of how diverse your group interests are, while Greek and Italian influences in the cuisine ensure that no two meals need ever be the same.
Take life at your leisure and marvel at the pristine surroundings from your sundeck Jacuzzi or air-conditioned interiors, then arrive at a remote sandy cove for quality time with loved ones away from the crowds.

The Istrian peninsula, in particular, is home to dolphins and one stunning town after another nestled between pale cliffs and glassy blue seas, while the Dalmatian Coast is known for its cave and wreck dives and summer party lifestyle. A week will never seem like enough to take everything in; however, by the end of your charter, everyone in the group will have had a fulfilling and invigorating holiday, ready to return home.

Rovinj
Whether you've just come from Venice and are missing its gelaterias and pizzerias or want a taste of Italian cuisine, as well as Croatian fare, Rovinj has it all among its picturesque, time-worn streets. Relax and people-watch from the cafes and restaurants during the daytime, then observe the waterfront transform into a spectacular night scene where you can meet and party with fellow travelers. Snap the picturesque Trevisol Street for social media and get in some souvenir shopping, then visit the beautiful Church of St. Euphemia before catching the sunset over the harbour. Between the Limski Fjord to the north (where the flavoursome local oysters and scallops come from) and the islands to the south, your luxury yacht charter group won't have far to go to escape to verdant surroundings and quiet bays. Rovinj is known for its amazing wildlife, and a snorkel or scuba dive could result in a close encounter with sea turtles and sea horses in clean and safe surroundings.

Visit for: Cuisine, nightlife, water sports, nature & wildlife

Pula
The well-preserved Roman ruins characterise this city along the Adriatic Sea, which has a thriving wine-making industry stretching back to antiquity. There is an abundance of cultural works displayed in galleries as unique as their subjects, and shoppers and spa-lovers will not be at a loss for filling an afternoon.

In the summer months, the amphitheatre hosts concerts and events, and its underground museum has an exhibit to ancient olive oil and wine-making techniques. 'Zerostrasse' is a series of tunnels that were once a bomb shelter at the start of the 20th Century, now put to use as a modern gallery, while the church and convent 'Sacred Hearts' displays art from the Neolithic through to the medieval period.

To the north, nearby Brijuni National Park is a stunning archipelago that will entice sunbathers and young families with numerous sandy beaches and clear waters for children to gain confidence while swimming, snorkeling, or kayaking, with the possibility of dolphins joining in the fun.

Visit for: Cuisine, culture, nature & wildlife

Dalmatian Coast
Covering everything from Split and the southern islands down to the capital city of Dubrovnik, the Dalmatian Coast is covered with UNESCO World Heritage Sites, dive sites, and unique events that could take up an entire week-long charter by themselves.

Vis, Brac, Hvar, and Mljet are just some of the choices that await you amongst the Dalmatian Islands, where every location is a picture-perfect composition of white cliffs, golden sand beaches, and pine-scented forests above turquoise waters.

Vis is a thrill-seeker's paradise, with canyoning, paragliding, rock climbing and much more on offer, in addition to kite surfing, scuba diving, and other water sports. Those looking for a more laid-back day won't be disappointed with the endless secluded beaches available or joining the other luxury yacht charters at Golden Horn on Brac for cocktails at sunset.

Hvar is another destination boasting a fantastic night scene in contrast to its serene town gardens, an old fortress, and religious buildings that can be taken

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in during a daytime stroll. On Mljet, enter the nature reserve for the chance to spot an eagle owl and kayak or paddleboard along the southern coast to see the beautiful blue glow of the light reflecting along the 20-metre tunnel known as Odysseus's Cave.

At Split, get in your shopping in the boutiques and stores surrounding the Diocletian's Palace, explore the vineyards, and take the children to see the Museum of the Senses before you spend the evening amongst the atmospheric bars. Ultra Festival is a celebration of electronic music that takes place at multiple venues and beaches - anchor off the coast and enjoy the spectacle or join in the action.

Dubrovnik might seem familiar as a backdrop to the silver screen, but now you have a chance to experience it for yourself: Kayak along the cliffs and fortress walls in the harbour, absorb the medieval history in Old Town and the incredible Dubrovnik Cathedral. As the capital city, entertainments are easy to come by, and galleries, boutique shops and luxury spas will tempt you to wile away your daytime hours before the bars and clubs come alive at sundown.

Visit for: Cuisine, culture, nature & wildlife, nightlife, water sports

Where to next?
A Croatia luxury yacht charter is perfectly placed in the Adriatic Sea to head west to Malta, Sardinia, Corsica, Sicily, the Amalfi Coast, or the Italian Riviera, or to the east to Montenegro, the Ionian, Dodecanese and Cyclades Islands, the Sporades or the Turkish Riviera. With the myriad options available to extend your holiday in the Mediterranean, a superyacht charter in Croatia can be the memorable start or unbeatable ending to your superyacht cruise with family and friends.

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A NEW ORDER IN THE BUSINESS OF WEALTH

The rapid pace of technological development is a thrust for innovation and disruption in all areas of commerce, not least banking and wealth management. Businesses have moved away from being merely reliant on technology to being driven by technological platforms that are changing the way companies interact with stakeholders. The fast pace of change is also apparent in the average start-up life cycle; whereas past generations founded a company and saw it through till their retirement – and some still do - many modern entrepreneurs seek an exit within as little as three to five years before tackling another project.

Steve Muscat Azzopardi
Chetcuti Cauchi Advocates

Different Strokes for Different Folks

One area that is being re-defined by innovative technology is raising capital. Many shudder at the terms ICO (Initial Coin Offering) or STO (Security Token Offering), yet these new mechanisms have been instrumental in raising billions in venture capital over the past couple of years. ICO rose to prominence over 2017 and early 2018 as unregulated offerings to the public. While some fared well, the majority did not, failing either in the way that many startups will or because they were fraudulent from the outset. Not surprisingly, this brought all the wrong attention from the US Securities Exchange Commission (SEC) and other regulators, amidst fears that some ICO were, in fact, financial instruments.

In brief, ICOs are digital tokens built on a Distributed Ledger Technology (DLT or blockchain) that offer the holder some form of benefit. Some tokens are simply a means of exchange, a form of payment, or store of value, albeit a highly volatile one; these are cryptocurrencies such as Bitcoin, Ethereum, Ripple, and several hundred others. Others known as Stablecoins are issued and redeemed against a given asset or commodity value, such as the Gemini stablecoin that is worth one US dollar ($1). Some tokens are indeed linked to a financial instrument, and these are known broadly as Security Tokens. Finally, utility tokens offer the holder a benefit directly against the issuer; these can be thought of as a voucher or form of crowdfunding.

The Case for Utility Tokens

Leaving the bad apples aside, virtual tokens remain an extremely cost-effective means to raise capital for those businesses with an existing or planned large community of users and stakeholders. Malta, the only country in the world with a full legislative framework for digital assets, defines a utility token as a "virtual token - a form of digital medium recordation whose utility, value or application is restricted solely to the acquisition of goods or services, either solely within the DLT platform on or in relation to which it was issued or within a limited network of DLT platforms". This simply means that the token is only valid against the issuer and cannot be traded on main exchanges as a speculative asset.

An example of a use case is a hotel chain that wishes to raise funds to develop a new hotel or resort. A virtual token could be designed that will offer holders any form of benefit from the hotel or its range of services (restaurants, wellness centres, sports facilities, etc.) that are not available to non-token holders. The benefit may be completely tailored to suit the issuer (in this case, the hotel chain) yet offer an attractive benefit to the holder. By reaching out to its community of past and current hotel guests or holders of existing loyalty schemes, the ICO could also launch with restricted marketing costs. Tokens could also be issued on a B2B basis for different industries.

As with any call to the public for funds, even in a scenario akin to crowdfunding, external stakeholders expect to see some form of stability to the venture - as an existing business will have a track record, but the new startups may need to prove credibility through other means, including measures of governance, external advisors, mentors, and supporters.

Security Tokens

Security tokens are financial instruments that are offered in a tokenised format, offering the advantages of cheaper transactional costs and far quicker settlement. Financial instruments are well understood by the capital markets industry, such as large institutional investors, making Security Token Offerings more attractive to large pools of liquidity. Financial instruments are highly regulated across the world, with well-understood policies aimed at ensuring market integrity and protecting investors.
Security Tokens are increasingly popular, and proponents believe that once teething issues are ironed out and security exchanges build trade volumes and liquidity, the vast majority of financial instruments will be issued as security tokens in the near future.

The Challenges in a New Order

As the realities of wealth change, so too advisers to the well-heeled need to continually keep abreast of evolution taking place, in order that they understand both the opportunities and risks presented by new alternatives.

Traditional issues persist, such as protecting against the loss of key people, organising a succession strategy, or effectively managing a diverse portfolio of assets. Here some well-known tools remain valid, such as adequate insurance, the planned use of trusts or foundations or engaging qualified external advisers.

New challenges and risks also emerge in a new order. When an entrepreneur intends to exit a project in the short to medium-term, the exit strategy must be clear from the start and the ownership structure optimised. In an increasingly digital world, there is a growing risk of cyberthreats that need to be understood to be properly mitigated.

About the Author

Steve Muscat Azzopardi is the Senior Manager, Corporate & Fintech at Chetcuti Cauchi Advocates. Chetcuti Cauchi Advocates is an international law firm, with offices in Malta, Cyprus, London, Zurich and Hong Kong,.
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IMPACT INVESTING AND ITS EVOLUTION IN THE LAST DECADE

by Manfred Wiegel

This article aims to describe the term "impact investing" by highlighting its history and providing a brief overview of the terminology used in this field. It especially emphasizes the important role it plays in today's investment decision and how a difference can be achieved.

A currently used definition by the "Global Impact Investing Network" describes Impact Investing as follows: "Impact investments are investments made into companies, organizations, and funds with the intention to generate social and environmental impact alongside a financial return."

Looking back in history, ethical and value-based investing terms were mentioned in 1970, when they were used to describe investing or divesting based on a set of morals and/or values.

37 years later, in 2007, the Rockefeller Foundation coined the term "impact investing" for "investments made with the intention of generating both financial return and social and/or environmental impact." Note that this definition is broad on the subject of returns.

The investments seek financial return but don't necessarily compete with the broader market. This is typical of the early use of the term, when it was often used to make a distinction between philanthropy and investing, which usually referenced private investments. Some investments yielded healthy returns, while others had expectations of below market rates of return.

While accepting below market rate returns on private investments or loans, it can still be a part of an impact investing strategy. Use of the term has evolved since 2007, and many professionals in the field now use it to refer to investments with goals of competitive returns.

While the term has been coined primarily with respect to private investments, it has been increasingly used in

Manfred Wiegel
CEO green benefit AG

recent years for both public and private markets. Many impact investors choose to invest through funds whose social, environmental, and financial goals match their own.

What does Impact Investing include?
Investing in companies that will financially benefit because of their positive business policies and procedures in areas of Environment, Social/ Human Impact, and Corporate Governance. This is often referred to as ESG integration.

Divesting from companies that carry considerable risk due to unsustainable business models or industry. Divesting may also include screening out companies that are not in line with a client's personal values. This is often referred to as exclusionary or negative screening.

This is often combined with shareholder engagement (also called advocacy or activism). Shareholder engagement uses proxy voting or discussions with corporate management to encourage corporations to make more sustainable environmental, social, and governmental decisions in their business practices.
Now a short overview of definitions used in the extended area:

SRI (Socially Responsible Investing or Sustainable, Responsible, & Impact Investing) - Socially Responsible Investing was one of the first widely adopted names of this type of investing. Sustainable, Responsible, & Impact investing keeps the acronym but uses wording more specifically inclusive of the types of techniques used.

ESG (Environmental, Social, and Governance) Factor Investing - ESG refers to the social, environmental, and governance metrics used to evaluate companies that may provide long term financial benefits.

Green Investing - Often indicates a focus on environmental concerns above other factors.
Values Based Investing - Often indicates tailoring of investments to the clients' unique values. This term is also used for investing tailored to clients' religious values.

Mission Driven Investing - Often in reference to organizations and institutions aligning their investments with the mission and values of the organization.

Regarding the impact of investments, I am personally highly convinced of the increasing importance reflected by society and its concerns. In fact, we see basically every investment has an impact; the only question is whether it has a negative or beneficial impact. More and more young people are taking the question of the future

of our planet to the streets and demonstrating that more needs to be done to preserve creation and nature.

These young people often have no opportunity to engage in investments, but those who do should take the responsibility to scrutinise every single investment. Impact investments are one of the best ways to fulfil this responsibility, and when our future generations will one day ask us if we have lived up to our responsibility, will we be able to affirm this?

In a time of deep global division, governments have reached an agreement on climate rules, celebrated at #COP24 as "a victory for multilateralism".

They want to realise the 2015 Paris Agreement, but this is a real challenge for all participants.

The impact of the package of actions is positive for the world, as it will move us to achieve the ambition set out in the Paris Agreement. The possibility of measuring the real impact of an investment is also promoted by the UN's 17 SDGs (Social Development Goals).

Manfred Wiegel CEO green benefit AG, based in Germany Financial economist (ebs) and Certified Financial Planner (CFP), Working since 1986 in the financial services industry, longtime asset manager and fund manager

www.greenbenefit.com

ARE YOU BEING WATCHED?

PROTECTING VALUABLE INFORMATION

Hi-tech surveillance equipment is cheaper, easier to use, and more readily available than ever before. As a consequence, corporate espionage through technical surveillance is on the rise. While you may not see yourself as a target, if you're perceived as wealthy or a person of interest, someone (competitor, an ambitious employee, etc.) can make you a target.

Gurpreet Thathy
Schillings

Surveillance very often amounts to the unauthorised disclosure of, or access to, personal data and should consequently be treated as a data breach under the General Data Protection Regulation. An immediate risk assessment would be undertaken upon detection. What confidential information has been extracted?. What are the consequences for the business, its operations, its ability to function, or its reputation?. In some situations, personal safety is also at risk. In the majority of cases where a group or individual is orchestrating an attack on an individual or their family, one must anticipate that a technical covert surveillance operation has taken place that could include eavesdropping, planting bugging devices, or installing covert CCTV.

Almost 60% of the sweeps that have been conducted in the last two years have led to the discovery of eavesdropping devices or some other sort of technical or physical vulnerability regarding the security of the premises or equipment. Set out below are examples of some of the threats that we have uncovered.

1. Cellular Technology

A large number of devices that have been discovered in clients' premises have been cellular. Some are voice-activated; for example, as soon as the device detects a sound, it calls a pre-configured number (which can be abroad) and allows the eavesdropper to listen, in real time. Such devices can be purchased online for just under £20!

2. Hybrid Devices

Hybrid devices are on the increase. They are designed to look like an everyday device commonly seen in the home or office, such as a pen, USB memory stick, or computer network cable. The device maintains a superficial functionality, such as being able to write with the pen, but it will include a built-in listening and recording capability. Again, these devices are accessible to anyone to purchase online.

3. Covert Cameras

As with smartphone cameras, high-resolution cameras can be tiny in size and yet still produce exceptional audio and visual footage that is sharp and precise in poor light and sound conditions. Cameras can be controlled and viewed remotely via wi-fi.

So how do you know if you are being watched?

The only way to detect such recording devices is to conduct a Technical Surveillance and Counter Measure sweep (TSCM) to identify what devices are connected to the wi-fi. A physical inspection of the property will also take place. For example, in a business environment, clear desk policies are in place but are not being adhered to; therefore, sensitive information is not secure. Individuals writing passwords on Post-it notes and leaving them underneath the keyboard are clearly a security risk. These vulnerabilities are just as critical as identifying an eavesdropping device.

What happens if a "bug" is discovered?

An investigation needs to take place to identify what data has been obtained by the attacker. Items such as GSM devices, audio/visual recording devices, can be forensically examined to determine what has occurred. When a forensic investigation is complete, a third party disclosure order can be obtained to secure the registration information for a SIM card detail registration. Should the perpetrator get their hands on private or commercially sensitive information and threaten to leak it, you may consider applying for a pre-publication injunction to try and prevent publication. With the advances in technology and availability of these devices, it is becoming a harsh reality that sensitive information is continuously at risk.

The Bigger Picture – what steps to take in your family office?

Information is crucial and one of the most essential assets an individual or organisation can have. Today, information is as valuable as ever and must be appropriately protected. A Technical Surveillance and Counter Measure sweep should be part of a security policy. A TCSM sweep should run alongside the cybersecurity, physical security, and information security policies.

Combining these systems to complement each other is the most robust way of minimising a security breach; however, the most important of all is to train staff and raise awareness within your organisation.

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THANKS TO AI, DATA MEANS OPPORTUNITY FOR FAMILY OFFICES

By Florian Garivier, Co-founder and CEO at QUANTILIA

One of the more appealing qualities of data is its capacity to keep surprising us year after year. According to Wikipedia, "There are 2.5 quintillion bytes of data created each day at our current pace, but that pace is only accelerating with the growth of the Internet of Things (IoT). Over the last two years alone, 90 percent of the world's data was generated."

The same sentence could likely be rewritten two or four years from now, and history would be repeating itself again and again.

In this context, how can we run a portfolio the same way we did two years ago? Still, how many great and venerable institutions have not changed their data systems or portfolio management methodologies during the last decade?

Technology is advancing far faster than we could have ever imagined. Even in the last decade, we have seen such a mind-boggling transformation in our world that our grandparents and great-grandparents couldn't fathom the resources we can find at the tips of our fingers. With this rapid change, it is easy to become completely overwhelmed.

Family offices may be dealing with much smaller figures and situations than major franchises, so it may seem next to impossible to weed through superfluous data to reach what matters to the individual.

The issue now for a family office is not to handle all the useful data available today, but to embrace a mindset allowing the office to keep track of information at the speed at which data is increasing. The changing market, the new crises we are facing, and the new risks we are encountering correlate with this new era, populating on social networks, evolving with AI, and following the dark rules of big data and deep learning.

So, could a relatively small institution cope with all this if it's barely big enough to run this race? Definitely, and even more so than many bigger, slower institutions. Over the years, we have sometimes seen family offices embrace change and suffer from it, particularly when regulation pushed toward bigger business size. This change is different, as it allows the family office to leverage their faster, leaner setup to stay on top of things.

It is not about how much data an institution can handle, favouring larger groups, but it is about how much of the relevant data it can monitor and manage. This is completely different. For decades, big data vendors have sold the same data sets to every client, but now it is clear that each client has different things that matter to them. As such, rather than accumulating useless data, it is more important to precisely define the needs and exact universe of data that needs to be explored, and then gather the most detailed and freshest information available as possible.

Being able to monitor the right data means being able to assess its risk to Renault when Carlos Goshn is arrested in Tokyo, to figure out its exact exposure to the US-China trade was faster than Donald Trump tweets, or to identify the best way to invest in new opportunities, like batteries, drones, or space technologies. It means adjusting the portfolio when it is time and being able to explain the reasoning to ever-demanding clients. It means building a strong relationship with these clients, based on facts, numbers, and proven methods.

In today's world, understanding data means protecting a business, which could be a fantastic opportunity for family offices.

Luckily, we have access to an undeniably powerful tool: artificial intelligence. AI helps families sort through the endless paths of data to narrow things down, choose what information takes priority, and sort everything in a succinct and understandable manner.

For example, one of the most daunting aspects of family offices is investing. It can be a risky step, especially for those going in for the first time, and yet it can seem necessary in order for family offices to survive and thrive. With the help of AI, families are able to determine how large of a risk they can take, how to safely invest, and when to back away.

Additionally, AI can help family offices keep track of expenses, invoices, inventory, and many other important aspects of economic stability. The advancement of technology and data has made it easier than ever to organize and run a family office effectively, whether the main purpose is building a business or simply keeping track of personal expenses from month to month. With today's wealth of information, it is simple to streamline all the data necessary for the individual to feel secure and confident in their office.

Family offices and small businesses deal with too many issues to name: cybersecurity, transparency, costs, staffing, investing, planning for the future, and so many others. While it may take some time to find the right strategies and specific technologies that benefit a specific family office, it can be an invaluable resource once it's achieved.

By turning toward AI and the other technologies we have access to, family offices no longer have to worry as much about finding the right investment opportunities, wading through the tax world, reporting data and statistics, or carefully tracking expenses. Particularly for businesses, using technology to handle the hard data lifts a weight from an owner's shoulders, allowing for more joy and creativity. Today's data capabilities are helping family offices return to focusing on what matters most: family.

QUANTILIA provides innovative online analytics and data solutions dedicated to institutional investors. The platform includes comprehensive data, powerful analytics, and tools specifically developed to assist institutional investors to make better-informed decisions when managing their portfolios.

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NEVER HAS SO MUCH (TAX) BEEN PAID BY SO FEW

By Craig Kemsley, Head of Tax, Calibrate Law

"Things as certain as death and taxes, can be more firmly believ'd" penned English writer Daniel Defoe in 1726. Indeed, The Exchequer is estimated to rake in £185 billion of income tax in 2018-19, an amount surely beyond the wildest imagination of our forebearers who, in 1799, introduced income tax as a temporary measure to help fund the Napoleonic Wars.

Whilst the amount of income tax collected is increasing, the number of taxpayers has diminished over recent years against a backdrop of record employment. At the same time, the burden of income tax has dramatically tilted towards additional rate taxpayers.

Overall, never has the UK's public finances been so reliant on so few individual taxpayers. New tax incentives to attract foreign investors are being actively developed by some OECD countries and partners. The corollary is that the affluent are leaving the UK with increased frequency and if this trend is not arrested, then the burden of revenue from income tax lost to The Exchequer will fall to a shrinking taxpayer base.

UK income taxpayer base

Those within the scope of UK income tax is estimated to number 31 million, around 1.5 million less than the peak in 2006-07. This reduction in the taxpayer base has occurred whilst the number of people in work has increased by 3.75 million since 2010. The sustained increase in the personal allowance from £6,475 in 2010-11 to £11,850 in 2018-19 has removed many people from income tax altogether.

The surprisingly small group of additional rate taxpayers has shouldered a disproportionate share of the increase in the income tax take over recent years. In 2010-11, additional rate taxpayers numbered just 236,000 yet contributed £35 billion to The Exchequer. This year 393,000 additional rate taxpayers will contribute £56

Craig Kemsley

Head of Tax, Calibrate Law

billion, representing an increase of over 60%. At the same time, the quantum and fiscal contribution of basic rate taxpayers has fallen by over 10%: 27.1 million contributed £69 billion in 2010-11 as compared with 25.6 million basic rate taxpayers contributing £61 billion in 2018-19.

The UK is more than ever vulnerable to a small populace of income taxpayers to fund its public finances. This group is likely to be more financially sophisticated than higher rate and basic rate taxpayers and more open to exploring the benefits of settling in other countries which can be an expensive and risky undertaking. It would seem to make sense that public policy encourages the retention of these individuals within the UK tax net and the attraction of others from abroad.

Anti-wealth sentiment

A chorus of anti-wealth sentiment has gathered momentum over recent years, stoked by politicians of all persuasion. In the summer of 2015, George Osborne was the cause of much surprise when he announced, "I am today abolishing permanent non-dom tax status". Although the tax law which followed revealed the Chancellor's announcement did not quite follow its literal meaning, it sent a confused message that foreign investors were no longer welcome in the UK.

Is it any wonder people are anxious after Jeremy Corbyn told a music and arts festival running alongside the 2018 Labour Party Conference, "The very richest in our society have had tax breaks, giveaways, and tax havens. I tell you what, they're on borrowed time." These allegations appear wholly inconsistent with the data provided above. The threat, and the associated anti-wealth sentiment, however, endures.

Open for business

Since 2008-09, the corporation tax rate has fallen from 28% to 19% and the Government is committed to reducing it to 17% from April next year - providing the UK with the lowest corporation tax rate in the G20.

This direction of travel is seemingly supported by the OECD who has noted corporate income taxes are the most harmful for growth as they discourage the activities of firms most important for growth, investment in capital and productivity improvements (see: page 22 Tax Policy Reform and Economic Growth, OECD 2010).

Despite the significant reduction in the rate of corporation tax over the last decade, receipts have surged; from £37.5 billion in 2008-09 when the rate was 28% to £60.1 billion in 2018-19 when the rate was 19%. Clearly, some of this is due to an improved anti-avoidance tax framework and the recovery in company profitability since the Great Recession.

The approach to the setting of corporation tax rates seems to have incorporated a competitive element in favour of the UK, juxtaposed with the approach to the setting of income tax rates which is laced with political expediency.

Incentives from abroad

Europe's forty-plus independent nations compete vigorously amongst themselves for global capital and often the domestic revenue systems are used to attract such investors. Historically the largest tax concessions have been offered by smaller jurisdictions (e.g. The Channel Islands, Monaco and the like). However, tax breaks are increasingly being afforded by mainstream OECD members and partners including Portugal, Italy, Ireland and the UAE.

The direction of travel of some of our neighbours and trading partners is that they are expanding their personal tax incentives to welcome wealthy investors. Additional rate taxpayers permanently leaving the UK All this is not going unnoticed by additional rate taxpayers who are leaving the UK with heightened velocity. In 2017 alone, 5,000 individuals with net assets of at least $1 million left the UK for good. There were only 1,000 arrivers. The cost to The Exchequer is not only the revenue lost in the year of departure, but also the ongoing reduction in each subsequent year. Illustratively, if all of the UK's additional rate taxpayers upped sticks and left, then the shortfall of income tax alone (£56 billion) would equate to an increase to the standard rate of VAT from 20% to 29%. Alternatively, the entire Defence budget might be scrapped (£38 billion in 2018/19).

Conclusion

The UK has been a bastion of free trade for centuries. The rule of law, system of government and time zone provides an attractive arbitrage over other jurisdictions and the Government's policy on corporation tax includes a competitive element. Despite the income tax take for additional rate taxpayers increasing dramatically and disproportionately over recent years, a sense of resentment of the wealthy is growing whilst other mainstream countries extend open arms to international investors. There is already evidence of affluent UK taxpayers voting with their feet. Politicians are playing a dangerous game with income tax receipts when so few people (393,000 in 2018/19) carry almost a third of the income tax burden and the options to relocate are increasing.

#PRIVATEBANKER: REDEFINING AN ENTIRE INDUSTRY

Photos: Dominique Gaul

On April 25th, more than 150 finance professionals gathered at the Hotel Le Royal in Luxembourg-City to attend the latest edition of Private Banker. This year, in a period of deep transformation, local and international experts discussed the following topic: "From Private Banks to Wealth Management Firms: Beyond Investments".
Najat Skeate, President of the Luxembourg Association Wealth Managers (LAWM), officially opened the 2019 edition of PrivateBanker stating that global assets under management will rise to 145 trillion dollars by 2025 from 85 trillion dollars in 2016. According to her, "HNWI relied on the experienced hands of financial advisors for managing and growing their wealth, but many saw their hard-earned-wealth erode to a significant extent. They have become more cautious than ever before and increasingly conservative towards risk. They seek to have greater control of their wealth and look at reducing the share of product offerings with discretionary mandates.

Erika Bourguet (Director, Strategy Regulatory & Corporate Finance, Deloitte) and Pascal Martino (Partner, Banking Leader & Digital co-Leader, Deloitte) then took the stage for a presentation entitled "Rethink the value proposition". The experts first focused on what is currently happening in the private banking industry. According to Pascal Martino, "private banks have lost clients yet they have more assets, meaning their clients are bigger. We notice a pressure on efficiency and cost income. There is also a consolidation effect of players seeking growth and size". She then explained that banks are reviewing their offerings by simplifying them, mainly for regulatory reasons. In more details, Erika Bourguet highlighted that there is a trend towards ultra-high net worth clients, with high expectations: they notably value high reputation and the security of banks.

The evolution of Private Banking over the years
"The need for private bankers to enlarge their scope" was the name of the presentation given by Roger Hartmann, Group Strategy Leader, Fuchs & Associés Finance, who first addressed gender diversity in the private banking industry and newer generations and their new priorities and understandings. The expert then went through the history of private banking, from its first origins in the 16th century to the beginning of the crisis in 2007, moving from a stable and predictable environment to an era of deep transformation. "In 1986, we also saw the emergence of investments firms and a big push happening in Luxembourg. 1992 meant the arrival of compliance and functional management, which helped to increase the level of professionalism," added the expert. According to him, Luxembourg was well prepared for the end of the banking secrecy and was already looking forward as early as in 2002. He added: "We have entered a new world with a fall in income, 0% interest rate and margins going down. If I had to do it again, it would be a nice blend of putting pressure of income and a sound management of cost. Dosage is key". Roger Hartmann also discussed the increasing number of regulations, explaining is was no advocate of "one size fits all" rules. He then shared his priorities, in order to manage change in a post-crisis environment: "First, do not ignore the progressive increase of external asset manager and the explosion of family offices. They are able to capture all the competences and attract Private Equities and Hedge Funds". He also explained that the current asset allocation is focusing too much on Europe and the US, when China will become the biggest economy in the world by 2030.

Building a financial services marketplace
Jonathan Prince, Co-Founder, Finologee, took the stage to share his knowledge on how to turn the challenge of increasing regulation and costs of compliance into an opportunity. "Finologee can be described as a RegTech company, aiming at creating an environment where banks can interact with FinTechs. They actually need to look at innovation as something they can co-create and rely on external experts, rather than doing it on their own," he first explained. The financial technologies expert then listed the main aspects when it comes to collaborating with banks: look and focus on the real pain points, think "ecosystem" as the pace of innovation is increasing, and work with different partners to reduce the decision and implementation processes, and finally, build truly useful products, not gadgets. "Customers expect new products faster and faster. If you are too slow, they might leave," he added. Jonathan Prince then tackled some of the challenges that banks are facing in today's environment: the use of digital tools which is an absolute necessity, the growing number of regulations and their associated costs, the investment strategy dilemma, and moving from a cloistered IT environment to a modern and modular one.
Remodeling the private banking industry
After the break, Douwe Miedema (Editor-in-Chief, Luxembourg Times) moderated a round table discussion which brought together Hans-Peter Borgh (Head of Wealth and Investment Management, Member of the Management Board of Banque Internationale à Luxembourg), Luca Tomasi (Group Head of Private banking, Banque Havilland), Alexandre Cegarra (CEO, Société Générale Private Wealth Management) and Linda Wade (CEO and co-founder, Spinview). Hans-Peter Borgh first explained that new costs are coming to the business and that those are notably linked to regulation: "Margins are under pressure, rates are not moving up, therefore there is a bigger pressure on costs. At BIL, we are investing in digital solutions and we aim at making segmentation smarter". Alexandre Cegarra highlighted that private banks are constantly working on bringing high(er) value solutions to their clients, but that they also have to demonstrate these values to their customers.

The need for private banks to develop new customer experiences
"Private Banking is dead… Welcome to the Wealth CX era" was the title of Julien Hugo's presentation. The Manager of Prodware Luxembourg started by sharing his definition of customer experience: "it is the perception that customers have, feel and remember of their interaction with your organization over the entire duration of the relationship. It's about emotions and feelings. It is measured by 3 pillars: capacity to succeed in providing the correct services and products, the effort needed to get access to these and the emotion you generate to make the customers more confidant and involved in a future relationship". According to the latest survey, CX will be the brands' main battlefield, even in the financial services industry, along with values and the quality of advice.

The experts then attended the traditional networking lunch and kept their discussions on the future of private banking alive for two additional hours. The next InFinance events – FundsEvent and FinTech Summit – will take place next May, during ICT Spring.

www.fundsevent.lu
www.ictspring.com

OPERATIONAL SUPPORT

A SOLUTION FOR FAMILY OFFICES

By Robin Clifford, Charles Lucas Associates

It was the classic phone call: "Can you move a yacht from its current jurisdiction to one more friendly to our client?"

The short answer, of course, was yes, and theoretically such an operation is simple enough. However, the reality is invariably a little more complex. The dividing line between recovery and piracy can be a fine one and is not the same in all countries. For anyone finding themselves on the wrong side of it, the penalties can be severe, with the ultimate prospect of a very long custodial sentence in particularly unpleasant surroundings. Ownership disputes involving multiple jurisdictions can be especially problematic. Legal title issued in one may not be recognised in another, and even if it is, enforcement is not always straightforward. The key, of course, is to make sure that the proper legal framework is in place and the circumstances are as favourable as possible in all appropriate jurisdictions before launching the operation. Whether the target in question is a yacht, aircraft, art collection, cash, or any other movable asset, the intent is to ensure maximum likelihood of success with minimum fuss. This requires proper planning and preparation based on sound intelligence, and where possible, such an operation would be conducted swiftly and discreetly, attracting as little attention as possible. However, where circumstances dictate otherwise, it might be necessary to prepare the environment so that the operation can be done with the tacit agreement of, or at least without active opposition from, local officialdom.

This was one part of a complex high-value litigation and asset recovery case involving hundreds of millions of dollars, aircraft, art collections, and houses spanning 10 countries, six time zones, and multiple legal and regulatory jurisdictions. It is the perfect example of the need to have a comprehensive overall campaign plan to ensure that everything is properly coordinated and the implications of activity in one jurisdiction on activity in another are fully understood. And this is just to prevent any 'own goals': the other side will be conducting its own campaign, and their options must be identified, understood, and limited and their actions anticipated and blocked. Sound intelligence gathering, operational agility, and speedy response are critical. However, the need for a consolidated planning and delivery function is not always appreciated. Often these things grow piecemeal with no single focus or the lead is assumed by lawyers who, whilst correctly focussing on their specialist area, are not always best placed to take the strategic overview across all lines of activity to ensure that they are properly coordinated, coherent, and integrated.
These strategic activities fall into three main categories: legal, communications and operational.

There will always be a legal requirement, although this may change in time and space. What might have started off in a family court may well move to a full international litigation and asset recovery operation requiring specialist litigators, criminal lawyers and aviation, art or maritime specialists with expertise in multiple jurisdictions and geographies with all the attendant issues of local language, culture, customs and law. They need to be identified, sourced, coordinated and adjusted as required.

There is also the need for a robust and integrated communications capability. High profile cases are often played out in the media, and the 'court of public opinion' can be a key battleground. Away from the public gaze and mainstream press, a strategic communications campaign will identify and exploit all available levers of influence. Properly managed communications activity will help establish the conditions for success by building support for the client, whilst weakening support for the other side and, where there are discretionary decisions, encouraging them to be made in the client's favour.

Proper operational planning, combined with strategic coordination, offers the best chances for success. This includes identifying, sourcing and managing the specialist capabilities needed to run alongside, and where necessary support the legal and communications activities. Timely, accurate and useable intelligence is key to sound planning and decision making, and an initial vulnerability assessment on both the client and opposition is vital, both to identify client weakness to protect and opposition weakness to exploit. The lawyers and communicators need the right information to plan their activities, assess their effects on their target audiences and prepare any necessary countermeasures. For asset recovery tasks, the existence, type and location of those assets must be identified and assessed for their suitability for recovery. And, when needed, the most appropriate recovery capability will be sourced and deployed. Needless to say, throughout the whole exercise, sensitive information must be protected and the safety, security and privacy of the client and their family maintained.

Although this example is at the more complex end of the spectrum, the same principles apply in other circumstances, especially where there is overlap of private, family and business interests. Many of the activities in which wealthy and/or high-profile individuals and their families engage require multiple capabilities to manage. This is especially true in contentious cases, whether instigated by them or directed at them.

A family office, especially a multi-family office, will at some stage be faced with a client with a tricky problem, or one who wishes to embark on a potentially contentious course of action. Either is likely to require solutions which may well be outside the traditional expertise of most family offices. Often these will be contracted out piecemeal to specialist providers. However, whilst some of the operational delivery can be outsourced, it is important for the family office, who have the client relationship, to keep oversight and control of the overall project. If the family office does not have this capability in-house, the next best thing is to have on-call the necessary expertise that can work discreetly with and as part of the in-house team providing the assurance that no matter how complex the case, it will be managed efficiently, effectively, and with the client's best interests in mind.

Charles Lucas Associates is a London-based professional services firm established in 2005 to provide high level advice and support to private and corporate clients.

www.charleslucas.co.uk

CAN YOU BENEFIT FROM AN INDEPENDENT, OUTSOURCED CHIEF INVESTMENT OFFICER?

by Kristy LeGrande, MBA, CFA, Principal, Director

Families with assets in excess of $100 million often have multiple investment advisors managing different segments of their portfolio. This approach differs from most institutions, such as endowments and foundations, which typically have one consultant who advises on all the managers, products, and strategies in the entire portfolio. Institutional consultants are similar to conductors who "manage" all of the instruments in an orchestra. Families who hire multiple "conductors" can decrease the likelihood of meeting overall objectives, controlling costs, and generating better returns.

Family offices often have a Chief Financial Officer (CFO) who is responsible for bookkeeping and accounting, tax, trust management, estate planning, and philanthropy management. In addition, a CFO is often given the responsibility for managing the investment advisors. However, a CFO can be ill-equipped to manage investment advisors due to insufficient resources (including time) and expertise. Consequently, the CFO's process of managing brokers or advisors is often simply repackaging the information provided by the advisors. The problem is that the advisors are often conflicted and have strong incentives to paint the most positive picture, while omitting important information that would be helpful for the family to evaluate. Examples include the amount of fees at all levels and performance net of all fees. Further, it becomes difficult to see the whole investment picture of the combined portfolio – risks, concentrations, diversification, fees, etc. The result can end up being a horse race between advisors: the advisor that gets the best results over a short period of time stays, and the others go. This performance-chasing approach does not work in the long run.

The most effective solution is to complement the family CFO with an independent Outsourced Chief Investment Officer (OCIO). A high quality, independent family OCIO can manage complex family issues and improve the likelihood of meeting overall objectives, managing risks, making sound decisions, and controlling costs.

Meeting Overall Objectives

The OCIO works in conjunction with the family to confirm and/or develop the family's overall investment objectives, downside risk tolerance, and time horizon based on forward-looking views of the capital markets. Families must also think about spending considerations and the role of the investment portfolios within the overall family enterprise. Agreement on all these items should be achieved prior to confirming or deciding upon investment mandates for investment advisors.
The OCIO also integrates tax considerations into the investment process and appraises the family's unique circumstances, including social investing and impact investing considerations.

Finally, the OCIO can help ensure that the family's objectives carry on through future generations by working with the family to educate the next generation and review succession planning.

Managing Risks

The OCIO aggregates information across all investment advisors to help the family understand the combined asset allocation. They can also quantify and manage downside risk based on forward-looking projections. By quantifying downside risk (i.e. how much the portfolio could potentially decline in a bad market environment), portfolio construction can be based on what the family can withstand in unpredictable times; therefore, decisions made in downturns become less emotional.

In addition, the OCIO analyzes the combined portfolio across all advisors in order to identify portfolio concentrations and potential investment opportunities. This includes a detailed analysis of exposures by asset class, industry, and geography, as well as single stock exposure. A look-through of the entire portfolio's liquidity profile is also performed to illustrate the percentage of the portfolio that can be liquidated within various timeframes and assist the family in determining if this profile is consistent with the family's overall objectives and cash needs.

Making Sound Decisions

Institutions and corporations spend a great deal of time developing a sound governance structure. Many families, however, do not have this type of structure in place. An OCIO can work with the family to develop a family governance structure, including disciplined processes and policies. For example, the culmination of knowledge pertaining to objectives and risk tolerances should be documented in a formal Investment Policy Statement and reviewed at least annually. Important governance questions to address include: How frequently do formal family or committee meetings take place? Who is authorized to make investment decisions (family, committee, independent OCIO)? An OCIO can provide services on either a discretionary or non-discretionary basis.

The OCIO also provides sophisticated and customized reporting, which can be used as an important tool in decision-making. Ideally, reports include the performance of each investment strategy and total portfolio versus appropriate benchmarks, details on alternative investments (especially private equity), the overall liquidity profile, and a fee analysis.

The independent nature of the OCIO can also provide great value to the family by monitoring portfolios and managers on an ongoing basis from both a quantitative and qualitative perspective. In addition, the OCIO can conduct thorough due diligence on investment strategies brought to the family by advisors, friends, and acquaintances and provide unbiased, conflict-free opinions.

Controlling Costs

Fees are a headwind for investment performance, and full disclosure can be very enlightening. Fees for similar strategies can vary immensely from advisor to advisor, and it is important to determine why and whether extra compensation is being paid to the advisor on certain strategies. An OCIO can evaluate advisor and strategy fees versus peer groups, as well as help negotiate fees on the client's behalf.

A firm providing independent OCIO services needs to be thoroughly vetted. Considerations should include: experience and reputation, conflicts of interest, and the firm's investment due diligence and reporting capabilities. A quality, independent OCIO can pay for itself through providing services and reducing fees, as well as by making a significant difference for the family's future generations.

Kristy is a principal at Innovest and a member of the Investment Committee, which drives the firm's investment related research and due diligence. Kristy is also the director of the Capital Markets Research Group, responsible for monitoring the global macro-economic environment, asset allocation modeling, and portfolio construction. She serves as a consultant working primarily with high net-worth-families and foundations.

INVESTING IN AI?

By Mads Jensen, Founder and Managing Partner at SuperSeed

Artificial Intelligence (AI) is one of the hottest topics in both business and the investing world, and for good reason. AI has the potential to disrupt society on a scale at least compared to that of the Internet and smartphones, meaning it has an impact for investors and portfolios everywhere.

AI is already changing all sectors of the economy in a wealth of ways, e.g. medical imaging analysis, drug discovery, sales and marketing automation, stock trading, pension/asset management and logistics and delivery. And with dramatic advances in autonomous vehicles, we will likely see a complete change of the ways our transport infrastructures work within a decade.

Mads Jensen
SuperSeed

Why now?
The idea of AI is not new. Some of the foundational building blocks in AI are more than 50 years old. But over the past two decades, machine learning (a powerful approach to AI) has evolved to make AI relevant across society. Unlike older approaches to AI that were more prescriptive, machine learning algorithms effectively allow computers to "learn" from data. Show them enough relevant examples of something (how to drive a car, how to classify a customer), and the computer learns to do that by itself.

When thinking about AI investing, it is often helpful to think about machine learning, because this really is at the centre of what is happening in AI. Whereas old machine learning algorithms "stopped learning" once they'd been shown a certain amount of data, modern algorithms (also known as deep learning algorithms) continue to learn, the more data they are shown, meaning that they can get extremely powerful. In some situations, within the likes of imaging or audio analysis – they are already proven better than human experts.

So how do you go about investing in AI?
Firstly, I would argue that you should think of AI as an enabling technology rather than an asset class.
AI is both transforming the way we make software and expanding what software is able to do. This has profound implications for opportunities in the software industry. Client/server computing transformed the software industry 3 decades ago. Two decades ago, the Internet caused dramatic change, and 1 decade ago we saw cloud computing and the Software-as-a-Service industry really take off.

AI is the next transformational wave for technology, particularly for enterprise (or B2B) software, which is our focus at SuperSeed.

Most B2B software is about some kind of data processing, and most data processing is better when AI-enabled. In this way, AI gives us an opportunity to reinvent the entire enterprise software landscape. So, if you are looking for exposure to AI in your portfolio, a good way to get that is to look for ambitious software companies with strong AI strategies.

Secondly, you can find AI at all ends of the life cycle. If you are most comfortable investing in public markets, Google (Alphabet) has an incredible portfolio of AI initiatives (including autonomous cars), and Amazon, Facebook, and Microsoft also have strong initiatives.
At the other end of the spectrum (where we operate), there is a wealth of innovation taking place, with thousands of ambitious start-ups working hard to transform sectors and markets. Early stage investing represents a less liquid market, and it is harder to find the winners, but returns can be very attractive. A recent study by Beauhurst and Newable highlights how UK automation software start-ups returned more than 32% IRR in the period 2013-2018 – well ahead of e.g. FTSE100 or AIM. It can be tricky to find the best companies, diligence them, and build up a portfolio, so investing through a fund can be a better alternative to investing directly.

Thirdly, although AI powered software can offer high returns, it is still important to have a well-diversified portfolio. How much to allocate to software (and early stage software at that) depends on individual circumstances, but having an allocation to this segment can be a great way to boost overall portfolio returns.

Finally, beware of the pitfalls: just as was the case in the days of the dotcom boom, the AI revolution also has a fair share of half-baked ideas masquerading as innovation. It can be tricky to tell fact from fiction when you look at what companies promise, which is why it is important to have technologists involved when delicencing investments. In B2B software, distribution often trumps tech, but the tech still has to work – otherwise, the portfolio won't make the desired returns.

In summary: the opportunity in AI continues to be substantial, and it is sensible to think about how to fit AI investing into your overall strategy.

One way to invest in AI is to invest in great software companies with strong AI strategies. And it takes specialist knowledge to find winners, so you are well-advised to work with partners who can help you identify companies for a well-crafted portfolio.

Biography, Mads Jensen
Mads is the founder and Managing Partner at SuperSeed – a VC fund investing in ambitious, early stage B2B AI/SaaS companies. He is 19, an experienced investor, and entrepreneur with a demonstrated track record in building and growing technology businesses. He has a passion for creating winning business models from advanced technology, and a core focus is on machine learning and SaaS.

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FIVE GOOD REASONS TO INVEST ON THE FRENCH RIVIERA

By Dina BASSIRI, Lawyer, www.arpege-avocats.fr

The French Rivera is renowned for its golden beaches, beautiful villages, sun-filled days and a particularly magical ambiance that cannot be matched anywhere else in the world. The French Riviera never ceases to be one of the most desirable places to buy and own property as a residential home or as an investment.

Here are five good reasons for you to consider that before taking the first step.

A DREAM DESTINATION

The South of France, including Monaco, Cannes and St. Tropez is the home to a population of investors, bankers, celebrities, high-profile sports people, business owners, Ambassadors and politicians, it is a millionaire's playground with all the trappings of wealth to go with it. The five stars hotels of the French Riviera regularly make the front page of travel magazines like the Condé Nast Traveler. The range of Michelin-starred restaurants provide culinary delights that appeal to the most refined palate. There is no other place on the planet where you can meet so many interesting people from all backgrounds and so much going on.

A SECURE INVESTMENT

Although it is possible to find investments for most budgets, in reality the profitable placements are concentrated mainly in the cities of Cannes, Monaco, Saint-Tropez, Saint-Jean-Cap-Ferrat and Cap d'Antibes. Despite the crisis of 2010 to 2012 and the property downturn, prices have returned to pre-crisis levels and properties lost a fraction of value compared to other jurisdictions such as Spain..

People who invested in property on the French Riviera, know that despite the ups and downs of the market, or market corrections, property investment in this location remains a desirable option.

It should also be noted that since the Brexit, 3000 HNWIs investors have left the UK to to relocate their real estate assets in France and more particularly on the Riviera, the Principality and Paris.

GAINS IN THE MEDIUM AND LONG TERM

The liquidity of the products in which our clients have chosen to invest in is verified at the time of resale. Indeed, not only are the properties relatively easy to sell over time, but in addition, the return on investment is one of the highest in Europe. For a placement over 5 years of an apartment purchased, renovated and resold, customers can expect a gain of up to 40% before tax.

DIVERSIFIED AND PROFITABLE INVESTMENTS

Many people think that the Riviera is a place that exists only a few months in the year. This could not be further from the truth, in reality, there are a multitude of opportunities for investors, with products that are profitable all year round.

Clients can invest in:

- Commercial property like those of a hotel or a shop,
- A villa or an apartment to lease during the year or on Airbnb,
- Land for the construction of a villa or appartement block
- An old or run down building to renovate;
- A well established company and even a start-up in the prestigious area of Sophia-Antipolis,
- A property to renovate and sell.

The important thing is to define what your budget is, and especially to choose the city where you want to invest. In real estate, there is a saying, location, location, location...

MONACO, STILL A TAX PARADISE

At times the Principality is confused as being a part of France, Monaco is a sovereign nation since 1861. The country is a Principality (a distinctive type of monarchy), and is ruled by a Prince. Residents of Monaco do not have to pay income tax, capital gains tax, nor wealth tax. Those rules apply to foreigners officially residing in Monaco and people with the Monegasque nationality. Inheritance and gift taxes also have a special scheme that is applied to assets located within Monaco. If assets are transferred within heirs in the direct line, then no gift or inheritance tax is applicable.

TAKING PROFESSIONAL ADVICE TO AVOID THE PITFALLS

French investment law and in particular, property law, is extremely complex for foreign investors. Unlike most European or Scandinavian countries, the purchase of a property is subject to a multitude of regulations and requires comprehensive due diligence by seasoned professionals. As an example, a client who has recently acquired a property in the prestigious California district of Cannes. The property was sold by an unscrupulous vendor, who claimed to have completely refurbished the house. However, a short time after the client moved in, there were torrential rains in the month of October that flooded his villa. The owner's art objects were totally destroyed and the leaks from the roof meant that the client had to live in a hotel for several months. We were called by the client to see if we could assist, it was too late obviously to prevent the purchase by the client but as lawyers, we obtained significant compensation from the vendor by reassuring him we would advise our client to cancel the sale.

We had another client who wanted to invest in commercial property for the purpose of having an additional income every month. We were mandated by our client to visit the property which was located in the town of Beausoleil, a stones throw from Monaco.

We came to the conclusion that something was not right and that the vendor was trying to hide the existence of a cellar that was registered on the commercial lease. During each visit, he informed us that the cellar was not clean for the visit. Our clients was unsuspecting and believed that an inspection was not necessary. However, a few days before our client was due to sign the deed of sale, we insisted on an inspection of the illusive cellar.

When we were finally given access to the cellar, we could clearly see that the cellar had several defects and that the weight of the entire building was resting on it. We immediately informed of our findings and he was shocked to learn that no insurance company would agree to compensate him should there be structural damage. We were obliged to tell our client to abandon this purchase.

As with many other jurisdictions, there ae a small element of disreputable individuals in the south of France who would not hesitate to take advantage of the inexperience of foreigners. It is imperative that due diligence is done by an independent advisor to ensure you are not taken to the cleaners.

KNOWING IS ALL

WHEN AND HOW TO FIRE YOUR FINANCIAL ADVISOR

by Gregory Curtis

As the long Bull Market begins to show its age and market volatility increases, investors may find that their financial advisors aren't as smart as they seemed – they were just riding a rising market.

How do we know when the time has come to part ways with our advisors, and how best should we handle the separation?

First, keep in mind that, just as most money manager terminations are mistaken (the replacement manager will likely outperform the terminated manager), so too are most financial advisor terminations.

Instead of looking just at how well your portfolio has performed – remember that it's been a long Bull Market – ask yourself this fundamental question: Did your advisor design and manage a portfolio that was right for your needs? If so, that advisor deserves the benefit of the doubt.

In contrast, advisors who produced outstanding performances could have exposed your portfolio to way too much risk – and that risk will come back to haunt you in the weaker markets ahead. Check to see if you've been chronically overweight to tech and growth sectors, for example.

Assuming that your advisor did, in fact, design the right portfolio for your needs, here are some additional questions to ask yourself:

Do you know exactly how much you are paying, and how you are paying it? Unless your fee arrangement is transparent, you are probably paying too much – up to 70% too much, according to a recent study – and your advisor is perhaps full of conflicts of interest.

Can you understand what your advisor is talking about? There is no excuse for jargon in the advisory business because there are no investment issues that are so complex they can't be explained in simple English prose. Has your advisor grown along with you? The financial advisory community is a kind of caste system. There are firms that advise middle-income people and are very good at it. Some firms advise the mass affluent and are very good at that. Then some firms advise the genuinely wealthy and are very good at that (far more complex) activity. If you have moved beyond the core competence of your advisor, it's probably time to upgrade.

Is your advisor a fiduciary? In this day and age, there is simply no excuse for advisors working in the very high net worth space to be putting their interests ahead of yours. If your advisor falls short on any of the metrics mentioned above, the time to fire them is ASAP.

However, even if no issues have been raised, that doesn't necessarily mean that all is well. If you've been with your current advisor for five years – and certainly if you've been a client longer than that – you should ask your advisor to do a retrospective on the account. This review should cover at least the following items:

Is the original portfolio strategy still appropriate?

How did the portfolio and individual managers perform against their benchmarks?

If your advisor made tactical bets – shifting the portfolio around among market sectors – how did those bets pay off?

What was the tax impact of the advisors' management of your portfolio?

How well did the advisor handle noninvestment issues, such as educating family members about investment issues, being responsive, staying on top of socially responsible investing, and so on?

For many people, the worst part of the process of terminating an advisor happens at the very end, when you finally have to tell your advisor the relationship is over.

Think about that love affair that just wasn't right. You knew that he/she was wrong for you, but breaking off the relationship filled you with such dread that you finally ended it by text message. Shame on you – you'll feel lousy about that for years. Moreover, the same is true of the relationship with your financial advisor – screw up the breakup, and you'll feel miserable about it.

Financial advice is a relationship business, and over the years, advisors and clients sometimes create close personal relationships – even friendships. Here are a few ideas about how to navigate this vexing situation:

First, although it's too late now, for future reference, remember that you should never hire anyone it will be impossible to fire; this is why you don't work with your sister-in-law or son-in-law.

Second, once you've decided, however reluctantly, that you need to move on, engage the replacement advisor before you notify your existing advisor that you are terminating him/her. This will do two things: First, it will give you some backbone, since you've already hired the new advisor and you don't want to pay two advisory fees; second, the new advisor can help you break the bad news to the soon-to-be ex-advisor and can protect you from any blowback.

Finally, think about it like this. If your advisor has done a bad job for you or is just no longer right for your needs, the advisor knows that better than you do. If the advisor hasn't affirmatively told you that you need to move on, you're being ripped off. Nobody should be reluctant to terminate a relationship with someone who's ripping them off.

Mr. Curtis is founder and Chairman of Greycourt & Co., Inc., and is the author of eight books. His popular blog is available at GregoryDCurtis.com/Blog.

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EUROPEAN NATIONALS AND THE EU SETTLEMENT SCHEME

by Mark Barnett

The immigration position of European nationals and their family members living in the UK after Brexit and the operation of the EU Settlement Scheme.

Notwithstanding the uncertainty as to the timing of Brexit, at the end of March this year the Home Office launched a £3.5m advertising campaign, to encourage the estimated 3.5 to 3.8 million people from the European Union, living in the UK, to secure their immigration status by applying under the EU Settlement Scheme.

Under the scheme, EU nationals and their family members residing in the UK are now able to apply and indeed are required to do so by certain specific dates, for either what is known as "Pre-settled Status" or "Settled Status", depending upon how long they have actually resided in the UK.

The scheme is also open to the citizens of the EEA countries of Iceland, Liechtenstein, and Norway, as well as Switzerland and their family members. Irish citizens or those with Indefinite Leave do not need to apply.

There is now no charge for applications, and those who paid a fee before March 29th, having already made an application, should have received an automatic refund.

As part of the application process, individuals can scan their passports using an Android phone or send their passports or identity documents to the Home Office by post or attend local "identity scanner" locations. By the end of 2019, they may also be able to use their iPhones.

Those individuals who have been living continuously in the UK for 5 years by the time of the application are able

Mark Barnett
Statham Gill Davies Solicitors

to apply for Settled Status, which is the equivalent of obtaining indefinite leave to remain. Even those EU nationals who are currently holding permanent residence under the existing regulations still need to apply for Settled Status.

The implication of obtaining Settled Status is that the applicants and their family members will be able to stay in the UK indefinitely. The applicants need to prove their identity, prove that they have been residing in the UK for a continuous period of 5 years by the time they make the application, show that they have no serious criminal convictions, and provide their biometric information.

For those applicants who have not been living in the UK for 5 years, they are required to apply for Pre-settled Status, and if successful, they will be granted 5 years' leave to remain. Once they have lived in the UK continuously for 5 years, they will then be able to apply for Settled Status.

The Home Office has disclosed that up to 9TH May 2019, 600,000 applications had been made under the scheme.

There are two important deadlines to bear in mind with respect to these applications, the first being 31st December 2020, by which EU nationals or family members of EU nationals need to have entered the UK in order to be eligible to apply for Settled Status or Pre-settled Status.

The second deadline of 30th June 2021 is for those applications to have been made for Settled Status or Pre-settled Status, although again in the event of a "no deal" scenario, this date will become 31 December 2020, with no 6-month grace period.

EU citizens and their family members residing in the UK before whatever the "withdrawal date" may be will continue to be able to work, study, and access benefits and services in the UK on the same basis as they are able to do so now.

Those non-EU family members of EU nationals who successfully apply under the scheme and don't hold Biometric Cards at the time they apply may receive Biometric Cards confirming either their Pre-Settled or Settled status. Those EU nationals who successfully apply under the scheme
will receive a decision letter from the Home Office, and their status can be confirmed online through the Home Office online checking service "View and Prove your Rights in the UK."

In the event of "no deal", however, those European nationals not residing in the UK before the withdrawal date and entering the UK after that date will be granted 3 months' leave. If they want to stay after that, they will need to apply for European Temporary Leave to Remain. Assuming their application is approved, they will then be able to stay in the UK for 3 years from the date it is granted. This will be a temporary non-extendable immigration status and not lead to indefinite leave to remain or any status under the EU Settlement Scheme.

Those European nationals residing in the UK who wish to apply for British Nationality need first to have obtained Permanent Residency or Settled Status. They may also need to have held that status for at least 12 months, depending, in the case of Permanent Residency, on the date they are deemed to have acquired that status and /or whether they are married to a British national.

A new UK skills-based immigration system is planned to be adopted from 1st January 2021, and from that date there will be no guarantee that EU citizens will be granted entry to the UK, simply on the basis of presenting their EU national identity card or their EU passport, and they may then be treated in the same way as non-EU foreign nationals are now, for immigration purposes.

To summarise, whilst at the time of writing this article the Brexit situation remains unclear, the EU Settlement scheme is very much up and running and a useful tool for those Europeans residing in the UK to confirm and protect their status, as well as an important step for those who are interested in applying for British Nationality.

Mark Barnett – Consultant Solicitor
Head of Immigration and Notary Public
Statham Gill Davies Solicitors
www.sgdlaw.com

UNCOMMON TRAITS THAT FAMILIES SEEK IN OTHER FAMILIES' IDEAS

By James Berkeley, Managing Director, Ellice Consulting Ltd

What makes a family and its proposition wildly attractive to another family as a potential partner in a shared endeavour?

Whether it's a potential private equity or real estate co-investment partnership, a philanthropic initiative or co-ownership of a sports team, there are some fundamentals that families would be wise to think about.

Ultra-high-net-worth-individuals, their families, and advisers only know what they know. You are going to have to present something dramatic to them, something that they don't know.

This is based on the belief that their interest level in your proposition increases proportionally to the attractiveness of the proposition as a future investment or endeavour to other wealthy families, right?

So, what makes an investment or endeavour attractive to other wealthy families? Among other things: Demonstrable innovation. You are bringing something to them which, when combined with their financial and intellectual resources, will demonstrably raise performance to new heights that they never imagined was previously possible. You are innovators.

Media coverage. While families are highly protective of their privacy, most want to be recognised as a "force for good" in society and prudently, distributing their wealth. How much positive media coverage might arise from the proposed investment or endeavour, and can it be directed in a supportive manner within a family's desired parameters? For example, ownership of a football club, as John Magnier and JP McManus found out with Manchester United. It might raise your global profile but lead to highly intrusive media coverage, public demonstrations, and so forth.

Charismatic leadership. Families like being associated with charismatic leaders that others crave to be affiliated with. What I term the "fame factor", the scarcity of the opportunity x the dramatic value that arises for the family,

James Berkeley
Ellice Consulting Ltd

by association. In a hospitality real estate investment, would you rather partner with Ian Schrager of Studio 54 and The Royalton fame or a dull, midwestern US entrepreneur none of your Monaco Yacht Club colleagues has ever heard of? The same is true in philanthropy; joining Bill and Melinda Gates and Warren Buffet in The Giving Pledge confers membership and a shared perspective with a diverse group of globally successful fellow human beings.

Solving widely acknowledged public problems. Your investment or endeavour will ideally transform the way people lead their lives, the way they consume or engage with each other, and the wider communities they serve. For example, the tremendous interest European and Israeli cybersecurity startups have generated amongst geographically diverse UHNWIs.

Return on investment. Demonstrably, the returns must meet or exceed both the short and mid/long-term financial needs of a family (quantifiable yield, liquidity, ROE). In addition, they must address their intellectual needs (individual family members' fulfilment), social needs (legacy), and cultural needs (the family's belief system that informs their attitudes and behaviours towards the purpose of their wealth).

Meaningful "skin in the game". Not just financial, but reputational. Wealthy individuals and families are drawn to investments or endeavours where others have similar downside risk. The preventative and contingent actions might differ, but there are real and painful consequences for failure.

Cultural and social affinity. Prospective partners must have enough trust in each other than in "moments of truth" (a crisis, failed investment, dispute) where believe they will "do the right thing", regardless of legal or investment agreements, knowing that not to do so will in many cases sever or seriously harm future family ties. Think of this as the "my word is my bond" principle, which might seem curiously old-fashioned but remains implicit in a great many situations.

Ultra-high-net-worth community recommendations. Supportive advice from those guardians of a family's wealth and those they place implicit trust in. "Word of mouth" is powerful in a highly complex and ambiguous world, where there is a natural scepticism about self-interest and trust.

Peer referrals. Introductions from other wealthy individuals and families, preferably directly, where a peer-level trusting relationship exists or could reasonably be developed.

What among them (or other factors you identify) can you exploit in the short term? I'm simply thinking of the end game (thinking differently) and working backwards. I doubt that many attraction approaches that have worked well in the past for a UHNWI individual will work well in the future, because they are changing expectations fast.

James Berkeley is an expert in bringing together private investors who never imagined co- and direct investing with superior entrepreneurs in highly complex and ambiguous private equity and real estate situations. In addition, he is a catalyst for discreet UHNW individuals and families seeking to pursue shared endeavours of intellectual, social, and cultural interest.

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US STOCK MARKET VOLATILITY

by Peter Jankovskis, PhD, CFA Co-CIO, OakBrook Investments, LLC

Although the sharp rise in US stock market volatility during 2018 generated headlines, historical perspective suggests there was little reason for alarm. Instead, the surge in volatility should remind investors to always be prepared for turbulence. One way to be prepared is to maintain a consistent allocation to stocks with stable returns. This approach can also boost long run returns.

How volatile was the US stock market during 2018? First, consider daily market moves. I will use the return of the Standard & Poor's 500 Index (S&P 500) as a proxy for the US stock market and focus on the absolute value of index return to capture both up and down market movements. During the fourth quarter of 2018, the largest daily move in the US market was a 4.96% gain on December 26th. Compared against the more than 5,000 daily returns of the S&P 500 during the past 20 years, it ranks as the 27th largest in magnitude. To put that in perspective, during the month of October 2008, there were three days where the magnitude of the S&P 500 return exceeded 9%. During the fourth quarter of 2008, there were 16 days where the magnitude of the S&P 500's return exceeded 5%. The extreme volatility of 2008 was a cause for concern, as it was driven by fears that the global financial system was collapsing. The trade and monetary policy concerns of 2018 were much more manageable.

Next, consider how the average daily volatility of the S&P 500 during the fourth quarter of 2018 compared to other quarters during the past 20 years. I measured volatility as the average of absolute daily returns during each quarter. During Q4 2018, the average absolute daily return of the S&P 500 was 1.11%. This was only the sixteenth highest during the past 20 years. It was well below the 3.31% of Q4 2008 and 2.04% of Q1 2009. In terms of magnitude, the volatility of Q4 2018 was slightly less than that observed during the collapse of the technology bubble in 2000 (1.18% during Q1 2000 and 1.20% during Q2 2000).

Average daily volatility during 2018 overall was near the median for the past 20 years. I measured volatility as the average of absolute daily returns during each year. During 2018, the average absolute daily return of the S&P 500 was 0.74%. This was only the tenth highest during the past 20 years. Well below the 1.74% of 2008 and 1.23% of 2009. Also trailing the 1.06% of 2000.

Compared against the past 20 years, the volatility of 2018 does not appear unusual. However, narrowing focus to the last seven years changes things. The average absolute daily return of 1.11% during Q4 2018 was the highest quarterly volatility of the past seven years, and the 0.74% average absolute daily return for 2018 was the highest annual volatility for the same period.

The comparison is even more dramatic if one focuses on only the two most recent years. The average absolute daily returns for the four quarters of 2017 were the four lowest quarterly values observed during the past 20 years. The average absolute daily return for the second quarter of 2018 was the sixth lowest of the past 20 years. Set against these values, it is not surprising that the volatility of Q4 2018 seemed extreme. However, returning to a longer term perspective, it is clear that the true outlier was the unusual calm that prevailed in the stock market during 2017.

Periods of market calm like 2017 tend to breed complacency with regard to risk and a preoccupation with aggressive growth. Investors should instead maintain a long-term perspective and be sure their portfolios are ready for the inevitable return to volatility. The approach I prefer is to maintain a consistent allocation to stocks with stable returns.

These stocks may trail in an unusually calm market or roaring bull market. However, they should outperform in a volatile or down market. These relative return characteristics smooth results for the overall portfolio. With lower overall volatility, the investor may be willing to take on more equity exposure. Maintaining a larger equity allocation should ultimately lead to a higher long run rate of return.

INCREASE FOS LIMIT RESTRICTS ACCESS TO ADVICE

The Personal Finance Society's core objective is to serve the public by guiding the advice profession. It is the leading professional body for financial advisers and those in related support roles. With more than 37,000 individual members, it promotes the highest standards of professionalism by setting the standards for technical knowledge, customer service, and ethical practice across the entire financial planning community.

The Personal Finance Society has obtained evidence of financial advisers struggling to obtain professional indemnity insurance and unable to advise on defined benefit pension transfers due to changes to the Financial Ombudsman Service compensation limit.

On 1 April, the Financial Conduct Authority increased the ombudsman's award limit from £150,000 to £350,000, which the regulator was warned could cause further problems with the already hardening professional indemnity insurance market.

Financial advisers need professional indemnity insurance in order to advise clients.

Less than two months since the ombudsman awards limit was more than doubled, the professional body has been contacted by financial advisers across the country who have experienced significant hikes in their professional indemnity premiums.

Advisers have said the increased PI premiums are forcing them to increase what they charge for their overall services, as well as making them consider no longer offering DB transfer advice.

One adviser who contacted the Personal Finance Society stated their professional indemnity insurer increased their policy limits so that cover would remain FCA-compliant but would only allow his business to carry out three more defined benefit transfer cases.

After querying the cost to lift the three case limit, the adviser was told their premium would increase from 3 percent to 5 percent of turnover and excess levels would be raised from £20,000 to £25,000 on defined benefit transfer cases.

The adviser, who wished to remain anonymous, said, "As a small firm turning over £200,000 a year and focused on only a few select clients, this leaves us looking to cancel our defined benefit transfer permissions and seriously concerned about being able to obtain PII cover."

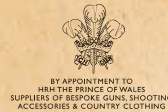
Another adviser revealed they saw their PI premium increase from £5,800 last year to £14,050 this year, with the excess on DB transfers increasing from £5,000 in 2017 to £20,000 now. A third adviser revealed last year PI had cost his business £6,700, but this year the premium was more than £27,000, despite the fact that his company hadn't advised on any British Steel pension transfers.

Keith Richards, chief executive of the Personal Finance Society, said, "The raising of the Financial Ombudsman Service compensation is already having a material impact on the cost to operate for many firms whilst reducing access and the affordability of that advice, a key conflict with the Financial Advice Market Review (FAMR) objectives.

"The increased compensation limit is either stopping or driving financial advisers to consider no longer advising on pension transfers and therefore preventing people from being able to exercise their rights under pension freedoms, which the PFS has raised with government."

The FCA has said it would consider allowing financial advisers extra time to make arrangements for alternative professional indemnity cover in light of the ombudsman award increase.

The regulator has also stated it expects PI insurers to "deal fairly" with financial advisers searching for compliant insurance.



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For illustration of SPECIAL TREBLE GRIP, see page 16.

Extract from *THE FIELD*, January 2nd, 1909.

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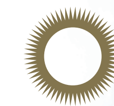

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