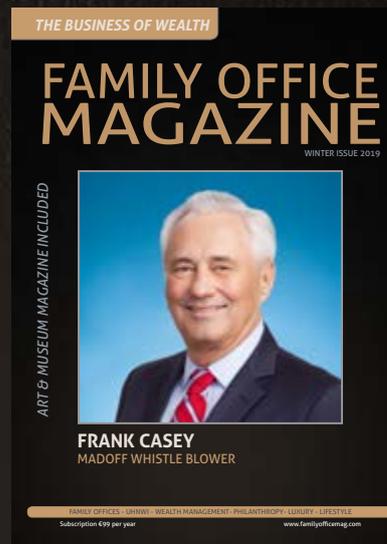


FAMILY OFFICE MAGAZINE

SPRING ISSUE 2020

ART & MUSEUM MAGAZINE INCLUDED



THE FAMILY OFFICE AWARDS

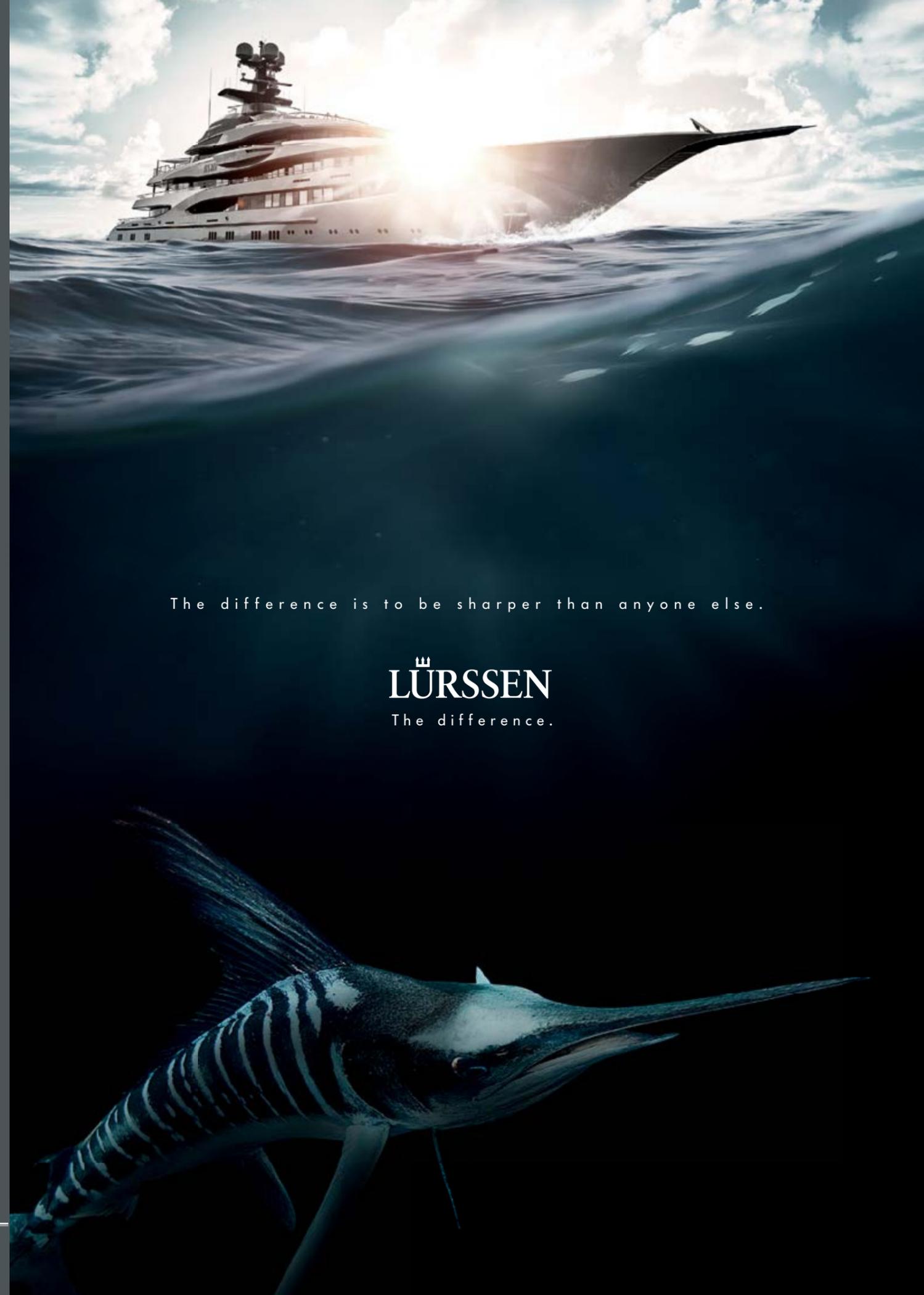
"Celebrating the best of the best"

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

Subscription €99 per year

www.familyofficemag.com

www.domos.uk



The difference is to be sharper than anyone else.

LÜRSEN
The difference.

DOMOS FINE ART
ADVISORS

"SPECIALISTS IN DUE DILIGENCE IN ART TRANSACTIONS"

Helmut Siegler Schoellerbank 07	Elkstone Multi Family Office 17	Monaco Economic Board 23
VIRTUAL FAMILY OFFICE Frans Peeters & Jurgen van Olphen 09		ROLLS ROYCE LUGGAGE 25
Enzo Calamo Lugen Family Office 11		Ambassador Partnership 39
Citi Private Bank Making Cash Work Harder 13		Merrill Lynch Managing Risk 41
Price Waterhouse Coopers 17		James and Suzy Cameron Family Office 35
		Citi Private Bank Philanthropy 45

Frans Peeters Verifin 47
Knight Frank Commercial Property 59
J.P. Morgan Private Bank 67
Schroder & Co Bank 77
Veritage Family Office 83
Sandaire Multi Family Office 85
Holdun Family Office 87
BLACKROCK 95
Frank Casey Whistleblower 91
National Philanthropic Trust 89



LURSSSEN

Lifestyle

21

Family Office Awards 2019/20

The Family Office Awards 2020 is honouring the contributors and our partners from within the Family Office Space and the Art World. This issue of Family Office Magazine has included articles chosen by the readers as the best and most informative from the four issues of 2019. We would ask you to select the winner in the different categories.

Please visit our website and vote for the "Best Cover of the Year" www.familyofficeawards.com

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

The announcement for the finalist in this issue are:

- Magazine Cover of the Year
- Writer of the Year
- Contributor of the Year
- Non-For-Profit

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

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

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

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

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

Best Cover 2019



Family Office Awards 2020 London, the online voting begins with "Best Magazine Cover" nomination. Vote here - www.familyofficemag.com/awards-2020



THE ULTIMATE AIRPORT EXPERIENCE

DEDICATED ENTRANCE PRIVATE HOST EXCLUSIVE SECURITY EXPERIENCE CHAUFFEUR PLANE



For the most luxurious way through Heathrow when travelling first or business class, for unparalleled service and your own private airport lounge, book Heathrow VIP. Visit www.heathrowvip.com or call +44 (0) 20 8757 2227 and reference your unique code 'FOE'



PRESENTED BY



The Global Platform for
The Celebration of British Luxury Heritage



Upcoming Events

Great Britain ★ Russia ★ China

Australia ★ Mexico ★ India ★ South Africa

Abu Dhabi ★ Dubai ★ Morocco ★ USA

www.britishpoloday.com

To apply for invitations please call : +44 (0)1242 547895 - Alternatively email : britishpoloday@abercrombiekent.co.uk

WEALTH SUCCESSION PLANNING PASSING WEALTH TO THE NEXT GENERATION

by Helmut Siegler



Helmut Siegler

Board Member: Schoellerbank

Most people don't want to consider their mortality or to ask themselves: "What legacy will be left after I've passed away?"

Social intelligence is essential for wealth succession planning and is not limited to the distribution of material assets. Many people consider succession planning as doing the right thing; this may be in the belief that a legacy of something good that will remain beyond their passing.

Main reasons for wealth succession

Loving and caring for one's family or other cherished individuals is principally the main reason for wealth succession. Providing for your partner, children or grandchildren is of course, a primary concern within this context.

Preserving family assets is also extremely important, especially where assets have been in the family for generations. Other reasons may include appreciation or gratitude for a longstanding friendship; a loved one or colleague which is often expressed by making gifts during their lifetime or by leaving a legacy to others in their last will and testament.



Some family members also leave charitable bequests in their will for philanthropic purposes.

Families should consider wealth succession on an ongoing basis and plan well into the future. There may also be circumstances where a family member at a younger age may want to make provisions, e.g. when they are about to create a family or they already have young children.

A matter of responsibility

Given the importance of this issue and the consequences of failing to have a succession plan in place, it is therefore surprising that many families do not look beyond their own lives and can leave a burden that is placed on the beneficiaries when an individual dies intestate. This is where an individual dies without having made a will or having made adequate provisions for his/her estate.

Most families need workable resolutions for the sake of their family and the next generation. Where a case arises when a person has not created a last will, a final discussion of inheritance could happen between all concerned. Succession disputes do not necessarily have to end up in court, which can be stressful, time-consuming and costly for all those involved. Also in addition, such situations may also have an adverse effect on family member's relationships.

That said, many families find it difficult to discuss or address the prospect of their death or creating their last will and testament. Notwithstanding that a document such as a last will does not need to represent the final point of one's life. It is more about creating a vision be

yond one's own life and dealing with it in a responsible way. The wealthier the estate, the more complex and challenging it may be when dealing with the dispersal of the assets and administering the estate.

Wealth is not limited to material values and can make a substantial change to the lives of family members or towards a good cause. It is therefore prudent to consider this question "What would an ideal solution that is tailored specifically to my families own unique set of circumstances look like?" It pays to plan early and to develop an ideal solution; this should only be done with the assistance and advice from relevant experts.

"Well planned out succession planning, which culminates in the creation of a last will, reduces the risk of inheritance disputes remarkably."

The process of professional succession planning

Succession planning may involve various aspects and can be extremely difficult for a layperson to deal with. The legal framework can be very complex and the asset structure may be problematic when it comes to distributing the wealth and administering the estate. There may also be a unique family dynamic or emotional issues that may require a sensitive approach.

When reviewing a case for probate, the family's structure is carefully examined and potential heirs are determined. Drafting a personal financial statement and taking a structured view on the individual assets are mandatory. On that basis, it will be determined if the wishes and objectives as outlined by the deceased person can be realised or if modifications need to be made. In some cases, it is just not possible to distribute the estate's assets evenly among the legal heirs. Also, there may not be sufficient cash or security assets within the estate.

Relevant inheritance laws provide the legal framework for wealth succession planning. The law does not govern who gets which part of the deceased estates' assets. While anyone can make a last will and testament outlining their wishes, this should never be done without first consulting a notary or lawyer and, if necessary, a tax consultant. It is essential to remember

to keep sufficient assets within the estate, especially when gifting assets to children and/or grandchildren during one's own lifetime. It is also crucial to have a power of attorney and a living will created as the loss of one's decision-making ability may deteriorate with old age or as the result of an accident or illness.

Digital inheritance is another area that is often neglected. This refers to all assets that exist in electronic form only (e.g. your personal website, social media accounts, digital photo and music collections, login data to e-mail accounts, and online balances on platforms such as Pay-Pal).

When planning wealth succession, it is essential to think about the future of these assets and about who is to get access, what is to be retained and by whom and what should be deleted? It is recommended to record all such requests in writing and to nominate a person of trust who will receive a copy of all electronic login data.

Schoellerbank's wealth succession planning experts Schoellerbank has a team of skilled and experienced wealth succession and financial planning experts that support its clients when planning and implementing wealth succession solutions.

In addition to Schoellerbank's expertise on wealth related issues and legal competence, their wealth succession planning experts are also highly skilled in addressing emotional needs. Experience has shown that a perfect succession solution may require not only the settlement of legal, tax-related and economic questions but also of emotional and social issues.

In succession planning, Schoellerbank's experts work with selected partners such as notaries, lawyers, and tax consultants to come up with the best possible wealth succession solution that fits the customer's requests and needs.

Helmut Siegler, Board member of Schoellerbank, Chairman of the Board of the Austrian Financial Planners Association and member of the Advisory Board of Zertifikate Forum Austria

www.schoellerbank.com

THE VIRTUAL FAMILY OFFICE AND PRIVATE EQUITY

By Frans Peeters & Jurgen van Olphen

For most Family Offices (FO) in Europe, these days, low or non-existent returns on government bonds and volatile equity markets have increased the interest for Private Equity investments.

Private equity is a relatively unknown industry in much of the world, yet it is one of the few ways to invest in equity ownership of private companies, generally considered the backbone of Europe's economy. Therefore, it provides an opportunity to diversify a portfolio further. Investments in companies can be broadly categorised by asset type and whether the asset type is publicly traded or not.

Private equity is a form of equity investment into private companies not listed on the stock exchange. It is a medium to long-term investment, characterised by active ownership. On the other hand, stock market investing ('public equity') is characterised by passive, insignificant, ownership.

Privately-held companies come in different shapes and forms; the same holds for private equity funds. There are funds investing in innovative start-ups and funds acquiring established companies in mature industries.

Common investment strategies in private equity following the life cycle of a company include venture capital, growth capital, (leveraged) buyouts, and distressed investments.

Generally speaking, venture capital is when private equity is invested into young, entrepreneur-led, high-potential companies. Venture capital investment are relatively small investments in a minority ownership.

According to Invest Europe's 2017 European Private Equity Activity' report, about 1.400 private equity firms had € 640 billion in capital under management. In the same year, € 71,7 billion in equity was invested

in ± 7,000 companies. In addition to providing capital, private equity firms also aim to build better businesses through active ownership. Examples of active ownership are strengthening management expertise, delivering operational improvements and helping companies to access new markets. Besides, active and substantial ownership leads to a better governance structure, aligning interests, thereby evading the 'agency problem' public companies encounter.

The total market for private equity is large, with over 960 billion US-Dollars raised in 2015 and 2016, but is highly tilted geographically towards the Anglo-Saxon world. In Europe in 2017 according to "Invest Europe" only 92 billion Euros were raised and of that amount, just 4% was provided by FO's or individual investors. A far cry from the situation in the US, where today private equity matches public equity as the main investment category (21% portfolio weight each) for FO's. To cater for this high demand in private equity investments, funds tend to become larger and larger. The average size of a private equity fund launched in the US in 2017 was 1.9 billion US-Dollars. Moreover, investors are becoming more demanding for managing partner participation, the managing partners providing on average 55 million US-Dollars of the total funds raised.

To access the best funds, FO's need to have the resources to be able to analyse the different investment opportunities. For example, thorough due diligence should always be a key component of the decision process. However, it also needs to have a considerable size to be interesting as a potential investor for the best funds on the market.

In Europe, apart from a large number of Single-Family Offices (SFO's), there are lots of Virtual Family Offices (VFO's). A VFO is a lean SFO, with a small overhead and thus strongly reduced costs compared to a regular SFO.

Most of its specific expertise is outsourced. A VFO typically has a maximum of three employees who act as liaison officers with banks, lawyers and wealth advisors.

This newest branch on the FO-tree can be built from scratch, but more and more wealthy families decide to reduce their SFO to a VFO barebone umbrella support structure for a number of reasons. A VFO can provide more privacy and a better cost structure and give higher flexibility since it works almost exclusively with outside service providers, mainly private banks.

Obviously, this VFO will be able to negotiate terms and respond to specific family requests, but there are of course limitations to its activities. Especially for investments in private equity, the common difficulty a FO faces accessing the best deals will be exacerbated for a VFO. Moreover, with its limited resources a VFO will not have the necessary knowledge even to consider direct investments in private equity.

Contrary to investing in listed equity, which is usually just a financial transaction, investing in private equity, be it as a direct investment or through a specialised fund, does not consist of only providing money but should also aim to improve business through active ownership. For a VFO, this will be very difficult to accomplish, resource constraints and knowledge gaps being the obvious obstacles.

Also, because of this, there is a clear bias in the direct investments in private equity a FO, especially an SFO, tends to make. A wealthy family that has gathered its wealth in a particular sector will try to add value by making direct private equity investment in this same sector. Market knowledge and a network within the sector can provide valuable input but will result in investments being tilted to this one sector.

Diversification will then be limited, which is, of course, a risk factor in itself.

With the market booming and awash with investment opportunities, how should VFO's choose the best-suited vehicle?

An SFO and especially a VFO will need to choose a private equity firm to invest in this asset class. The fund focus and investment strategy should fit the FO's interest and risk appetite. It is clear that venture capital and distressed investments have a significantly higher risk profile than the overall private equity market. The investment team should have the right level of experience and should show continuity.

The track record and both the historical and expected returns of the fund should also be assessed. Also, to add value, there should also be an active involvement with the portfolio companies of the private equity fund, even more so in the venture capital and distressed investments space.

Authors:

Ir. Jurgen van Olphen, is the Founding Partner of TransEquity Network, a Dutch Private Equity firm that focusses on mid-sized companies with significant growth potential. The added value of TransEquity Network is a combination of capital and management support. TransEquity Network strives to create substantial value growth by hands-on involvement on a strategic, financial and operational level.

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 has worked closely with Family Offices in that capacity. Frans Peeters is the founder of Verifin.eu based in the Netherlands, but operating internationally.

VALUES-BASED WEALTH MANAGEMENT: THE SECRET TO DYNASTIC FAMILY WEALTH

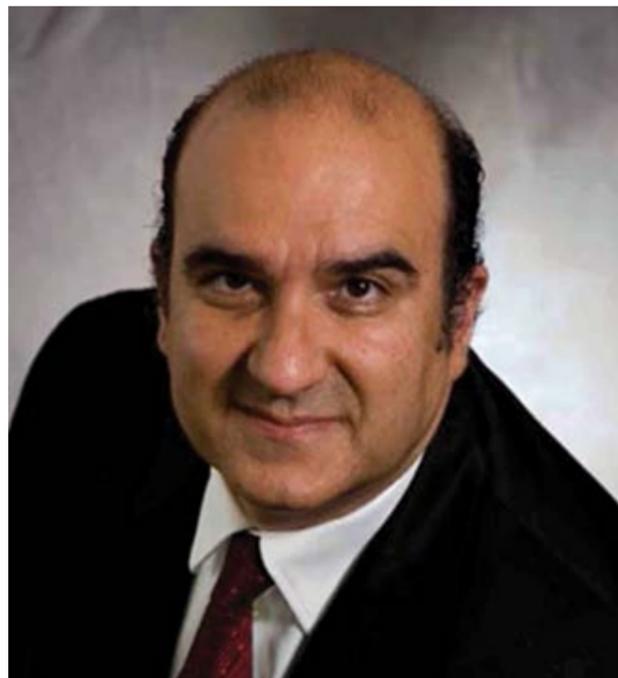
Intergenerational wealth management must always be built upon people that you love, care for, respect, and trust. This is why it is essential to focus on what you value before you focus on the value of what you own.

Businesses, assets, toys, real estate, etc. will always deteriorate over time and fluctuate based on fair market value. For example, owning the most successful buggy whip business 150 years ago will probably not be as valuable to a family in today's economy. A family is only as strong as their common purpose, shared principles, and similar values. Values based wealth management is how a family's wealth will grow and prosper over multiple generations.

Legacy planning and intergenerational wealth management require a foundation of governance, based on common family values, to preserve family wealth effectively. Unfortunately, creating a shared values based mission statement is not an easy task. Our beliefs are formed by attaching our own meanings to various life experiences, even if those experiences are shared within a family.

This is why communication is vital for a family's survival. Intergenerational wealth management requires regular family meetings to discover, and reinforce, the common ground in family values. Diversity in personalities can strengthen family wealth if common values are aligned within a shared purpose. However, if individual values are different, and each family member is pursuing their own goals, family wealth will be seriously depleted within four generations.

Seven generations of legacy planning requires each generation to answer the following questions: 1) how do I fulfil my life purpose and live the life of my dreams; 2) what common values do I share with my loved ones and how can I help them to grow and prosper; and 3) how does our family want to impact the world together so



Enzo Calamo
CEO, Lugen Family Office

that we can lay a strong foundation today for future generations.

The real challenge with values based planning today is our materialistic world. The term "value" in most societies is perceived to be monetary value. Many people want to become billionaires or millionaires as their end goal. However, the real objective of our lives should be living every day based on our core values to fulfil our life purpose.

Money is only a tool to magnify our dreams. If you doubt that money is a tool, and not the end goal, envision yourself with \$100 billion on an isolated island, with no way to get off the Island and no other people on that island. I am sure that you would use that money as a tool versus imagining a luxurious lifestyle.

By Enzo Calamo,
CEO, Lugen Family Office, CEO, Medici Family Office, CEO, Moranda Family Office

The real value, in my opinion, is what is truly important in your life. Your core values can be: Dependability, Reliability, Loyalty, Commitment, Open-mindedness, Consistency, or Honesty. Family values are priceless! From my experience, when family members start valuing a \$1 million Ferrari as more important than core family values, that is usually a clear indication that family wealth will soon vanish. Hence, the family cycle of wealth destruction begins and the family will experience the shirtsleeves to shirtsleeves phenomenon in three generations.

Lastly, I would like to address the question about the possibility of generating infinite returns on family wealth over multiple generations to create a family dynasty.

This question reminds me of an editorial called "Is There a Santa Claus?". In 1897, Dr. Philip O'Hanlon, a coroner's assistant on Manhattan's Upper West Side, was asked by his then eight-year-old daughter, Virginia O'Hanlon (1889-1971), whether Santa Claus really existed. O'Hanlon suggested that she write to The Sun, a prominent New York City newspaper at the time, assuring her that "If you see it in The Sun, it's so."

"Yes, Virginia, there is a Santa Claus" has become an idiomatic expression to insist that something is true. The reality is that infinite returns are sometimes possible within the monetary definition of value. For example, consider buying a real estate property, fixing it up and stabilising revenue, and then refinancing the property to pull out all your original money within a short time frame. If you continue to own that property and the property continues to generate positive returns, you have created an infinite return on that investment. However, only a few investments have the ability to generate infinite returns since investments depend on the market, which is out of your control.

On the other hand, infinite returns are very possible when based upon family values like honesty, caring for each other, giving, and loyalty. Thich Nhat Hanh says, "If you look deeply into the palm of your hand,

you will see your parents and all generations of your ancestors. All of them are alive at this moment. Each is present in your body. You are the continuation of each of these people." However, core family values need to be reviewed regularly and flexibility must be part of the process in intergenerational planning.

As my dear friend Dr. Paul Schervish, Professor Emeritus of Sociology and a retired Director of Boston College's Center on Wealth and Philanthropy, taught me, "If you pass on your values to your children but no money, they will still do very well in the world. If you pass on your values and your money to your children, they may actually change the world for the better. However, if you pass on your money but none of your values to your children, you are only asking for problems."

www.lugenfamilyoffice.com



BH
BEAUFORT HOUSE

Work · Rest · Play

Your home from home venue in the heart of Chelsea
Restaurant | Cocktail Bar | Members Club | Parties | Meetings



Beaufort House Chelsea 354 Kings Road LONDON SW3 5UZ
020 7352 2828 info@beauforthousechelsea.com beauforthousechelsea.com
facebook.com/BeaufortHouseLondon @Beauforthouse



Making Cash

Work Harder

Citi Private Bank

The business of managing liquidity in the Family Office or private investment company requires balancing the need for both readily available cash under circumstances that cannot often be predicted, while also maximizing return. Citi Private Bank has responded to this need by combining sophisticated analysis with yield enhancement strategies.

Cash Levels Remain High Globally

Subsequent to the dramatic global market dislocation of 2008, it is not uncommon to see Family Offices' cash levels double - or even more - than pre sell-off levels. Regardless of geography or asset levels, ultra high net worth (UHNW) families have continued to maintain liquidity throughout the long recovery cycle. The reasons for this vary greatly and include the appeal of a safe reserve, the flexibility to spend or invest, market or geo-political un-

certainty and liability or expense management purposes. Although all of these are relevant reasons to maintain liquidity, it remains the case that persistent high levels of cash has imposed a heavy cost on portfolio returns for UHNW families and investors are being slow to adjust.

Time to Reassess

With changes to U.S. monetary policy, Citi Private Bank recommends it is time for investors to reassess their liquidity strategies. By way of example, on December 31, 2016 a 1-year, U.S. Government Bill was yielding 0.81%. Fast forward two years to December 31, 2018 and that same bond was yielding 2.60%. Although the foregone yield (as an example, vs. a low yielding deposit) is much more meaningful now than in years past, the impact of rising inflation should be considered too. With inflation expectations above 2%, these lower yielding products

and accounts will reduce an investor's purchasing power going forward. It is for all these reasons that the Citi Private Bank Global Investment Committee currently has an underweight view on cash.

Single or Portfolio

There are a number of opportunities that family offices have traditionally taken advantage of including conventional banking solutions, diversified portfolios of high-quality municipal bonds or laddered duration bond portfolios. In addition and unlike most other investors, family offices will often direct their liquid assets across multiple financial institutions, rendering oversight and integration difficult. Increasingly, we find family offices and private capital firms benefit from an in-depth analysis of both sources and demands of expected and unexpected (cushion) liquidity. Capital calls, distributions, new investments and capital needs demand a thorough and

ongoing analysis that reflects the needs, risk tolerance, and goals of the family office. This type of customized approach allows the family office to skillfully bridge the demands for liquidity and yield optimization.

Solution

A customized, risk-based approach called Yield Enhancement Strategies (Y.E.S.) has been developed by Citi Private Bank's Global Investment Lab, a team focused on developing innovative and customized allocations and strategies for clients based on in-depth portfolio analytics.

Y.E.S. starts with an evaluative process to better understand the family office's - or any client's - needs. Then, based on the evaluation of the client's demands, a selection and weighting process is undertaken to optimize cash equivalent allocations using parameters such as duration, maturity, credit quality, income goals, diversification and liquidity needs. For example, the recommended Y.E.S. strategy can be comprised of distinct allocations based on the demands of a family office client including first to meet a future monetary obligation; second to maximize income; third to control for interest rate risk; and finally to allocate the remainder of the liquidity into a diversified set of higher-yielding products, all while controlling for credit and duration.

The blend of cash and equivalents is provided to a family office client as a portfolio, with highlighted characteristics and qualities. The emphasis of the strategy is to make a client's cash work for harder for them by leveraging knowledge of their individual demands and circumstances with the ability to adapt to their changing needs and a changing market. The Y.E.S. strategy is designed for longevity - clients working with their banker can continually manage their liquidity using the designated analysis, which also includes updated and optimized product offerings based on market conditions.

Contributors

David Bailin, Chief Investment Officer
Philip Watson, Head of Global Investment Lab
Steven Wieting, Global Chief Investment Strategist
Stephen Campbell, Chairman of the Global Family Office Group

SUPERYACHT INVESTOR CONFERENCE 2019

by Pandora Mather-Lees. Edited by Paola Tenconi



Across two days in January 2019 over 200 delegates explored topics including yacht valuation, borrowing against the vessel as an asset class, improving the image of yachting, navigating the polar regions, fine art on yachts, flying on yachts and the delicate matter of Anti-Money Laundering (AML) and other financial hazards.

AML and similar compliance issues affect yachting just like other big-ticket purchases. Professionals now face additional compliance burdens. This was pertinent given some of the major scandals which took place last year, much debated by a legal panel looking to dispose of yachts in a distressed sale. Entitled "I want it back" the discussion included some of the top superyacht legal names in the industry including Panos Pourgourides of Hill Dickinson and William MacLachlan of HFW. Some scandals called to the fore at the conference included incidents involving motor yachts Equanimity, Natita and Indian Empress.

The latter vessel, which was owned by entrepreneur Vijay Mallya, has caused ripples on many levels, from the need to protect staff and salaries through to preventing valuables from leaving the ship as assets are frozen to pay debts. The superyacht impounded in Malta in 2017 with rising debts of €2m, provides an example of what a mortgagee ought not to do. The mortgagee stood by as other creditors acted to recover debts, including the forty employees who had not been paid for weeks. The situation resulted in attempts to remove goods from the vessels such as fine art and other valuables, under the pretext that these did not form part of the freezing of the yacht. The judge in charge ordered a quick sale which caused mayhem and ultimately failed when the purchaser (himself entwined in the scandal) never came up with the funds.

Repossessed yachts do not command the best prices, and associated liabilities may impact future buyers. A distressed sale can take the form of an auction, a private sale or sealed bids. Lawyer Sitpah Selvaratnam

Managing superyacht owners' expectations and demands is challenging as the bar continues to rise in all aspects of build, management and service. Leading companies in the yachting industry compete to deliver high levels of quality, service, technology and design.

When "best in class" ripples through every aspect of a vessel, from state-of-the-art satellite systems to the most exquisite interior finish, one hopes that the significant investment in what is, after all, a depreciating asset will assure better liquidity, longevity and marketability in the form of a charter or future sale.

With the large sums required to purchase a superyacht today, maintaining value is critical. The annual Superyacht Investor Conference, attended by foremost brands in the industry and continually supported by sponsors such as VISTRA, dedicated to all financial aspects of yachting, and HFW, specialist superyacht law firm, is a must for industry professionals. This year, host and MC Alasdair Whyte welcomed Fraser, Benetti, Bluewater, Vistra, MB92 and Monaco Marine along with private banks such as Close Brothers and Societe Generale, in addition to ship registries, financial advisors, brokers and the all-important insurance sector.

explained that the latter was the first choice in the sale of Superyacht Equanimity, but ultimately not successful as the Malaysian courts refused bids for the yacht, which did not meet expectations. The vessel was previously owned by Jho Low, the fugitive tycoon caught embezzling funds from 1DMB, the Malaysian state investment fund. It was seized in Indonesia and the Malaysian government hopes to recover monies through its sale. It is now on the market with Burgess at \$130m without encumbrances, but difficult to dispose of because of its remote location.

These scenarios have rocked the industry and mark a sharp learning curve for those involved.

The daily trials that plague us all are not far from life at sea too, namely IT and internet demands. In a session on connectivity, Immarsat, the international marine satellite company, detailed its plans to improve life at sea where connectivity is now essential for guests. As a second home the yacht is also a place of business, but as a place of leisure, it is vital to keep those of all ages on board. One panellist said his client had asked "Will my kids be able to play Fortnite in the Atlantic?" Yachts pay dearly for premium connectivity in international waters, yet services largely remain limited. M/Y Dilbar, for its part, has a powerful internet connection - 150mb/second - better than some offices, but this is purported to cost around \$5,000 per month, and is the exception rather than the norm.

It is perhaps not surprising then that even itineraries are determined by the need to stay within 4G regions for some cruisers!

In addition to investment in a yacht itself, owners invest in interiors, too. The first ever panel on fine art on yachts at this conference was a fresh theme for many delegates. In the session, moderated by Pandora Mather-Lees, who offers on-board consultations for superyacht owners and captains on how to protect their art, attendees learned about how to mitigate risk and best protect the one appreciating asset on board. Reports from the panel were shocking. Tillman Kriesel of TKA art advisors Hamburg mentioned efforts to make multi-million-pound iconic pieces 'fit' the space on board. In one instance it was proposed that a Mark Rothko work be turned on its side, another "trimmed to fit a space and then a priceless Chinese vase was secured by glue. Karolina Blasiak of Rosemont Family

Office Art Advisory, meanwhile, told of damage due to a fire incident. "It was a very prestigious private vessel. The owner asked me to source and curate paintings of the Peconic Bay School and to develop a narrative between the sea, nature and land. The paintings were all hung in the living area and they were hung too close to one another. During a candlelit dinner, one of the paintings caught fire when guests started to light the candles. It takes a certain degree of confidence to have art on board".

One inspiring presentation covered a different style of investment— social media. A popular figure on the yachting scene, Northrop and Johnson's David Seal shared his secrets for social media success. For many years David has been building a YouTube presence, often to the amusement of his peers, who jibed that a typical 'follower' is not a superyacht investor. Nevertheless, Seal's channel is now a market leader, and has earned him a place as a respected authority in the industry with considerable influence, thanks to the many thousands of followers he has attracted - not to mention the financial benefits of a sizeable social media presence.

Overall, the conference was marked by a high quality of production and catering, enlightening content, diverse extra-curricular activities and a rich seam of yachting professionals attending from all over the world. Valuable lessons were learned, and the presenters were industry professionals at the top of their field, with the conference content reflecting the expertise and first-hand knowledge of the panellists present. Summed up by Jim Acher, Broker with Masters Yacht Management, "This is one conference I always ensure I get to because of the people who attend and the quality of content and speakers". Alasdair Whyte's urbane and relaxed leadership set the tone throughout from the traditional launch—a spectacular banquet. Moreover, the numerous other opportunities presented to engage with colleagues and learn off-stage proved invaluable.

Superyacht Investor, along with sister events Helicopter Investor and Private Jet Investor, propels from strength to strength as it enters its fourth year at the prestigious Landmark Hotel in London. Family Office Magazine is delighted to partner with these events.



MILLENNIALS AND GENERATION Z

No compromises on Quality and Sustainability

In the post-digital era, technology is a starting point and no longer a destination, and consumers are not only following fashion trends, but also they claim to be protagonists and originators of new fashion trends. Big brands must “keep up” with consumers and invest in understanding their needs and values.

Millennials have witnessed the digital revolution from the beginning of digitalization up to the industry 4.0, and now they are willing to drive new trends together with Generation Z, born protagonists and “hungry” for likes and followers.

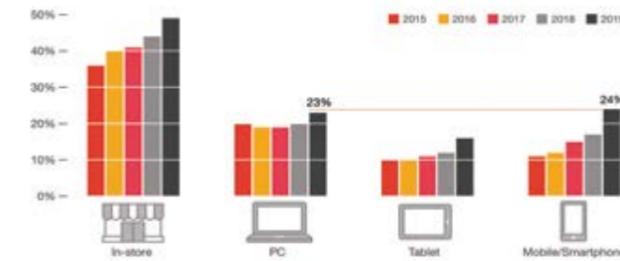
Accordingly, fashion must evolve towards even more challenging needs, because new conscious consumers are not willing to make any compromise! They want to feel represented by the brands they love, they expect their values to be shared and promoted by such brands.

As it emerges from PwC latest Global Consumer Insight Survey (more than 21,000 consumers in 27 territories) and Millennials and Generation Z Survey (conducted on about 2,000 Italian consumers born between 1980 and 2010), young consumers tend to have some common behavioral and attitudinal attributes across different sectors (from apparel to food to beauty, etc.):

1. Search for quality: young consumers are looking for high quality products;
2. “Seamless” shopping experience: young consumers do not recognize the boundaries of channels alongside and weave a solid preference for the physical store to a growing choice of “mobile” purchase options without neglecting the use of smart devices, from wearables to home assistants;
3. Shift towards products and brands that reflect young consumers’ ethical sensitivity and the health of the planet.
4. The new responsible consumer that emerges from the PwC survey is demanding, active, well-informed and influential, also thanks to social media.

New consumers interweave the purchasing process

Figure 3: Consumers shop on smartphones more often than on PCs



© How often do you buy products (e.g. clothes, books, electronics) using the following shopping channels? (Excluding grocery/shopping). 21,482 respondents (Total: China, countries daily and weekly shopping). Source: Global Consumer Insights Survey 2019

with the interest towards their own physical and mental well-being, the attention towards sustainable practices and natural products. They are inclined to experiment new consumption behaviors across different product categories, from sharing to second-hand. Regardless of the reasons, the phenomenon is growing: consumers are increasingly in favor of the philosophy of sharing and reusing. From PwC survey, it emerges that only 6% of Generation Z and 12% of Millennials are not interested in sharing or renting any type of product. Among the products that young consumers would give up in favor of sharing or renting are also included “very personal” goods, such as clothing, footwear, bags and jewelry.

In contrast with the disposable market, fashion second-hand sector is also growing worldwide: buying and selling second-hand clothes feeds the circular economy of fashion, it is profitable, and it’s green!

In general, Generation Z are more likely than Millennials: for apparel, 30% of Generation Z claims to be willing to buy second-hand, vs 21% of Millennials; for footwear, 26% of Generation Z declares that they are interested in second-hand, compared to 17% of Millennials.

Only in Europe, the second-hand phenomenon led to a saving of 16.3 million tons of greenhouse gases in 2016, the equivalent of 1,440 trips around the Earth.

Young consumers search for exclusive services, personalized offerings and technology assisted in-store shopping experience. They are attracted by interactive forms of advertising, and they are familiar with buying

online, but they are also very critical, and they tend to share it with friends, whether they are satisfied with their shopping experience or not.

In terms of distribution channels, consumption behavior is omnichannel: both physical and digital touch points play a key role. Focusing on fashion and luxury, PwC data show that young consumers are increasingly present online, connected and technologically advanced. Internet is the main channel for young consumers to search for information in the purchasing decision phase, and they expect a significant brand experience every time they enter an ecommerce website, same as they do when entering a brick & mortar point of sale.

In terms of drivers for purchasing, PwC data shows that 90% of young consumers are willing to pay a premium price for products made in an ethical and sustainable way, in particular: 28% of consumers want to support brands that “act well” and 7% brands that do charity; 24% of consumers are willing to pay more for sustainably produced goods; 21% of consumers are willing to pay more for goods made in an ethical manner.

However, product quality remains fundamental: consumers are not willing to give up on stylistic and manufacturing excellence. For apparel, an increasing number of respondents (69% in 2019 survey, vs 63% in 2018) states that it is most important to them that their favorite brands sell quality products. Quality is the main driver for purchasing decisions (74% of respondents indicated it as most important in 2019, vs 60% in 2018) for accessories, too.

A key factor within the fashion business is that brands are able to communicate with the audience, to build a solid relationship of trust with customers based on product quality. Consolidating a loyal client base ensures both direct and indirect economic returns, through word of mouth with friends, relatives and followers. But customers are also expecting products to be rich in ethical and sustainable contents; therefore, the relationship between brands and consumers is now based on a correspondence of values and emotions.

Ethics and aesthetics will be inseparable. On this principle, “transparency” has become one of the keywords towards which the fashion system should turn. After years of accumulating personal data on

Figure 1: Where we did our research



Total respondents: 21,480

Source: Global Consumer Insights Survey 2019

consumers’ purchasing attitudes and behaviors, the time has come for companies to be clear and to openly communicate the greatest amount of information about them and the whole supply and production chain behind the products they sell.

By Erika Andreetta

Erika Andreetta, Partner PwC, leads the Retail and Consumer Goods consulting practice in Italy, with focus on Fashion, Luxury and Retail market. With a background in management engineering, she enters PwC’s consulting practice in 1999 and has since then been involved in the Fashion and Luxury sector, first with a European reach and after taking on a leadership role focusing on companies in Italy.

She has been actively involved on important internationalization projects of main players in the Chinese market, and she was a recognized member of the PwC’s CINDIA (China - India) desk from 2000 to 2006.

In the last few years, she was actively involved in system projects from reshoring to the international development of companies adhering to the “High Potential” initiative.

Observant when it concerns the evolution of the consumer, she has been analyzing the trend and impact of multi channels in the “Made in Italy” sector, through the Global Consumer Insight Survey (more than 21,000 consumers in 27 territories) and global and Italian insights on Millennials and Generation Z.

Erika Andreetta, Partner PwC, leads the Retail and Consumer Goods consulting practice in Italy, with focus on Fashion, Luxury and Retail market.

www.pwc.com



FAMILY OFFICES LOOK TO IRELAND FOR INVESTMENT

by Alan Merriman, Chairman, Elkstone Multi-Family Office

Located in the northwest of Europe, Ireland offers more than green fields and its famed "one hundred thousand welcomes". It is also an attractive location for Family Offices and high net worth (HNW) investors seeking an array of compelling investment opportunities. When you think of Ireland, think compelling real estate opportunities; an increasingly vibrant early stage venture scene; mispriced asymmetrical private credit and lending opportunities.

Family Office landscape in Ireland

Driven by factors such as the increasing concentration of wealthy families, and rising globalisation, Family Offices are increasingly being considered as investment vehicles of choice by families with substantial wealth. According to a recent EY report, there are at least 10,000 single family offices in existence globally and at least half of these were set up in the last 15 years. The Family Office landscape in Ireland is relatively underdeveloped, with a small number of Single-Family Offices as well as the Elkstone Multi-Family Office in operation. As a country where English is spoken, and with a similar legal system to the UK, and Immigrant Investor Programme, Ireland is an attractive location for wealthy families considering alternative jurisdictions in which to invest due to Brexit amongst other reasons.

Strong Economy and Attractive Location for Business

The Irish economy boomed from 1993 to 2007, earning the name "the Celtic Tiger". The global financial crisis led to a collapse and a period of severe fiscal tightening. Since 2014 the economy has rebounded strongly. With robust GDP growth, Ireland is positioned once again as the EU28's fastest growing economy.

Ireland is a leading centre for global business. Many leading companies have located their EMEA headquarters in Ireland, most notably in the technology sector: Apple, Microsoft, Intel, eBay, Google, Twitter, Facebook, LinkedIn, and pharmacy and medical technology sectors such as



Alan Merriman
Elkstone Multi-Family Office

Boston Scientific, Stryker, Pfizer, Johnson & Johnson amongst others. As a result, there is a lot of talent in Ireland.

World Leading Brands located in Ireland:

- 17 of the top 20 in ICT
- 10 of the top 10 Pharmaceuticals
- 14 of the top 15 in Medical Devices
- 8 of the top 10 Industrial Automation
- 10 of the "top born on the Internet" firms
- 20 of the top 25 Financial Services Firms

Source: Irish Development Authority (IDA)

Investment Opportunities

Ireland is currently the fastest growing economy within the European Union and while Brexit is a concern it has also triggered a real number of UK based companies, particularly in the financial

services sector, to relocate to Ireland. The Irish Strategic Investment Fund, Ireland's sovereign wealth fund with patient capital, is also a key catalyst, with priority investment areas focused on regional development, housing, indigenous businesses and climate change, and over €5 billion earmarked to enable matching funding for opportunities that can compete internationally.

Real Estate

As 2019 began with some global uncertainty, the Irish residential market is experiencing more moderate, and we believe sustainable growth levels. The gap between demand and supply remains a key feature, with supply still well below demand. The institutional appetite for Build-to-Rent residential property will continue throughout 2019, representing a large and growing percentage of real estate activity. Elkstone is supporting several Build-to-Rent opportunities, and institutional interest, both domestic and international in this new asset-class is very strong.

The outlook for the non-residential property market remains positive, supported by underlying economic growth and Brexit relocations. Perhaps the most visible sign of the upturn in real estate is the 104 cranes over the Dublin skyline at the start of December, which compares to just 34 cranes recorded in February 2016.

Room rates continue to rise, but land prices and construction costs are the main challenges to those now entering the student accommodation sector. The growing number of international students will absorb a percentage of these beds.

Demand for hotel beds from corporate and general tourism continues to grow. The Central Statistics Office (CSO) confirmed that growth in overseas visitors increased by just below 7% in 2018, while growth in the number of British tourists increased by 1%. Sentiment in the sector remains positive.

Venture

There are many Irish founded global corporate players such as Kerry Group, CRH and Ryanair. These companies have been joined by leading global technology players with their European and/or Research & Development

centres headquartered in Ireland. These include Apple, Google, Facebook, and LinkedIn, in addition healthcare leaders such as Medtronic, as well as financial services companies such as JP Morgan.

Such activity has influenced the dynamic domestic venture community excelling in Ireland. Notable individual successes include Aerogen in which Temasek has invested; Movidius bought by Intel; and Keyword Studios.

Sectors that we see increased activity and local success include:

Artificial intelligence, such as SoapBox Labs and Movidius; Augmented reality and VR with companies like 3D4Medical; Fintech with RegTech especially notable; and health continuing to be very strong with therapeutics and medtech; and agritech and food, with increasing numbers of dedicated VCs focused on this sector in the Irish market.

Private Lending opportunities

The Irish banking system is still in recovery mode and as such, there are a plethora of credit opportunities in the Irish market for HNW and Family Offices who are prepared to network and cater for individual deal flow. Equally, there is an increasing number of alternative lenders arriving to support activities such as peer-to-peer lending and invoice discounting, which need Family Office lending to enable growth as they build out their marketplaces. While returns are strong, accessing these opportunities is often tricky without being connected to the right people in the marketplace.

Elkstone – A Window into and out of Ireland

Elkstone, is one of Ireland's leading Multi-Family Offices, and is open to building bilateral relationships with other Family Offices to both enable investment into Ireland, and to support our entrepreneurial client base diversify their holdings and access international deal flow.

By Alan Merriman,
Chairman, Elkstone Multi-Family Office

www.elkstonepartners.com



Lürssen

LÜRSEN

BUYING IN TO THE LÜRSEN LIFESTYLE

"To those who have never owned a yacht, but who have the means, you don't know what you are missing," says John Risley.

It's a decisive statement from someone who certainly speaks from experience: Risley is the ex-owner of the 63-metre Polar Star and the 75-metre Northern Star, now called Bella Vita, both highly capable superyachts built by the family-owned German yard Lürssen.

What does owning a Lürssen entail, and what is it about the superyacht lifestyle that attracts such a wide variety of individuals? Ask a selection of owners what they love best about their yacht and they will invariably give you a range of answers, but a common theme is always the peace and privacy that a yacht affords. Privacy is a crucial factor in making a yacht feel like a home away from home – rather than a hotel – a place where you can relax and let your guard down with friends and family.

"A luxury hotel is a commercial establishment. A yacht is a home and a place to welcome and entertain family and friends. The two don't compare," says Risley.

By its very nature, a yacht affords isolation from the outside world, something increasingly rare in this digital age. *"I love the feeling of being removed from the stress of traffic and the urban pressures. The whole pace of life slows down on a boat,"* adds Risley.

Shahid Khan, a well-known repeat Lürssen owner, and currently owns one of the most talked-about yachts since her launch in 2015, Kismet. *"I wanted to own my own yacht because it's an expression of freedom and adventure that cannot be equalled, and the experience you get is one you can share with family, friends and business associates,"* he says. *"One of my favourite parts of being on board is knowing that anything is possible, whether it's a beautiful journey with loved ones or a celebration with hundreds of friends, old and new."*

Lürssen is a well-known name in the superyacht industry, having built some of the most famous yachts over the years, and, recently, many of the largest. The pedigree of a shipyard is undoubtedly a top consideration for many would-be buyers.

Kismet's 95.2 metres make her one of the largest superyachts in the global fleet today. The German yard can also lay claim to some even more impressive figures, such as building Azzam, at 180-metres she is the largest superyacht in the world. Dilbar at 156-metres is the largest by total interior volume at 15,917 gross tonnes. However, size isn't everything, and the yard builds yachts from 50-metres in length.

"We chose Lürssen because we wanted safety, stability, quality and lasting value," says the owner of Lady Kathryn V, a 61-metre yacht launched by the yard in 2011. "Our family always had smaller boats, and after a yachting trip as a guest, we decided we wanted our own yacht. Our times aboard Lady Kathryn V are the best times of our lives, especially when family and friends join us."

Positive feedback about building a custom yacht is not hard to come by, but it can still be a long and sometimes daunting process, which is where choosing the right shipyard to build the right yacht comes in to play.

"Owning a yacht, any yacht, is a very personal experience," says Risley. "Custom yachts more so, as that experience extends to the design, the construction and the use. A yacht becomes a part of the family because it brings a family together, and produces wonderful memories and happy times. I want to build my yachts with a family, and a yard owner whose handshake means something. I want to do business with people who take pride in what they do, who have a long attachment to the business, so it's not just a business, it's a passion and a source of great satisfaction."

In terms of useful advice for anyone thinking of building a superyacht, Khan's suggestions are succinct: "I am biased, but I have been yachting for almost two decades, so I feel I have an educated viewpoint on



this. The first thing you do is start with the best. That's Lürssen."

Like many owners before him, Khan has once again put his trust in the family-owned business and built more than one yacht with the German yard, the current Kismet replacing a smaller yacht launched a few years ago.

Although she was delivered three years ago, Kismet has already travelled extensively, including to London on a number of occasions. This has to be one of the main draws of yachting: the ability to see so many new places. "I have many 'favourite places', so I cannot say which I prefer," says Khan. "The way I look at it, cruising to any destination on Kismet is special. Wherever we end up, it's my favourite place in the world at that time." When it comes to onboard spaces, the choice is equally difficult. "The great thing about Kismet is that Lürssen made it possible to have multiple favourite places on board, depending on the environment, guests or event. If I were alone, I'd say it's the eagle's nest on the very top deck. When we have a party or 300-plus guests, then it's the main saloon with the two-story lounge videos. However, with family, it's the bridge deck aft with the open air, beach deck and outdoor cinema."

For the owner of Lady Kathryn V, the bridge deck is also a preferred spot to relax in. "We love the bridge



deck salon and bar with its 180-degree floor to ceiling views. This is one of the best parts of owning a yacht: the ever-changing view and of course the relaxation and privacy.”

Owning a superyacht is undoubtedly luxurious, but that isn't just down to the first class service or the inherent privacy; there is also the luxury of choice in how to spend your time. Whether relaxing in the world's hotspots or travelling to the remotest points around the globe, spontaneity is your friend if you so choose, as is deciding to wake up in a new place every day. "Being on a yacht is adventurous and truly dazzles the senses," says Khan. Owning a superyacht truly is an infinitely rewarding experience for those who value time with friends and family away from the eyes of the world.

About Lürssen

The German yacht-builder Lürssen has earned an international reputation as the No. 1 specialist in exclusive, custom-built yachts. Founded in 1875 and remains solely in the hands of the 4th generation of the Lürssen family. With a workforce of 2700, Lürssen maintains eight state-of-the-art facilities at Bremen-Aumund, Lemwerder, Berne, Rendsburg, Wilhelmshaven, Wolgast and two yards in Hamburg. Its main headquarters are located in Bremen.

Lürssen Yachts

E-mail: yachts@lurssen.com - www.lurssen.com



Private Banking .

ING 

**Sometimes 3 letters
make all the difference**

Because you shouldn't have to compromise to achieve excellence, ING Luxembourg offers you a full experience in Private Banking. Our experts in asset management, lending solutions, wealth analysis and planning keep up-to-date to offer you the most relevant advice regarding your overall situation.

www.ing.lu/privatebanking



Michel Dotta, Chairman MEB

MONACO A THRIVING BUSINESS PLATFORM

Monaco may be famous for being a glamorous place (Grand Prix, Casino, etc.), but if you look more closely, you will discover a balanced and diversified economy. This is mainly due to the vision of a succession of the Princes of Monaco which provides stability to the principality that is a key factor for future prosperity and also enables the country to deal better with any potential crises.

Monaco is a dynamic platform with GDP of €5.68 billion. Finance and insurance represent 17.8% of GDP; scientific & technical activities, administrative and support services (corporate) 17%; hospitality and retail 12.5%; real estate 10%; construction 8.7%; international trade 8.4%; administration, education, health and social welfare 7.2%; information communication (mainly ICT) 5.4%; personal services 5.1%; industry 4.1%; and lastly transport/storage

3.7%. GDP per capita at €67,796 is one of the highest in the world. GDP per employee is €104,603. Monaco hosts more than 5,000 companies, composed mainly of SMEs with a focus on services. They are high added value and non-polluting and hire 52,000 employees within the Principality of Monaco.

It's a sustainable model is due in part to its debt-free economy with reserve funds equal to four years of state expenditure (two in liquid assets) and a balanced budget (€1 billion) of which 30% on average has been invested in infrastructure and amenities over the last 50 years.

Monaco enjoys social, fiscal and political stability for over seven centuries. While it has a reputation for being tax friendly, that is not to say there is no tax – indirect rather than direct taxation is the favoured route. VAT

is under 20% and represents 50% of state revenue. In addition, the balance between a free-market economy and the social welfare of the people is also unique. With regards to fiscal transparency and cooperation, Monaco has a structure in place to combat money laundering and terrorist financing which is unanimously recognised by international bodies like FATF (Financial Action Task Force) and the OECD (Organisation for Economic Co-operation and Development).

Major projects are underway, for example, the land extension on the sea which complies with environmental restrictions to meet the growing needs of residents and investors. This policy promotes renewable energy and sustainable mobility aiming to cut emissions by 50% by 2030 and be carbon neutral by 2050.

Monaco is also an international business environment with over 140 nationalities which make up an extensive and accessible business network on 2km² that is very accessible. They are businessmen and women from diverse backgrounds. Many are experts in their field who chose to settle in Monaco to live and work, having achieved success elsewhere.

The location is ideal as its close to Nice Côte d'Azur International Airport, the second busiest hub for business aviation in Europe with 13.5 million travellers pass through its terminals in 2017. In addition, being situated in the heart of the Mediterranean basin and part of the Euro Zone, Monaco is a gateway to Africa and has international influence abroad through its extensive diplomatic and consular corps.

The quality of life in Monaco is unique, its not just about the mild climate and strategic location between sea and mountains. Monaco is a multi-cultural place where 38,000 inhabitants enjoy a maximum level of security with 1 police officer per 70 residents and a highly effective CCTV system. In addition, it has excellent health care and education systems, and a busy cultural and social calendar with over 700 international events every year. 25% of the country is green spaces and 30% of its electricity is green - ecology.

As Michel Dotta, chairman of the Monaco Economic Board explains the MEB informs and guides single-family offices that are attracted Monaco as a place to do business: 'We're very much in line with helping SFOs find the right structure and connect them to the right people. There are a lot of single family offices currently operating in Monaco and we look forward to welcoming more to the 'new safe and viable destination with a debt-free platform, future-level digital security and an international setting'.

The Monaco Economic Board is an organisation that has been set up in 1999 to promote Monaco as an international business hub.

The MEB organisation is supported by Monaco's Government and has 500 company members; membership is voluntary. The board integrates nearly all stakeholders of Monaco's economy. The MEB is Monaco's National Committee to the ICC since 2001 (ICC MONACO).

Its priorities consist of developing Monaco's entrepreneurial base and being proactive in making networks operate effectively for all those involved.

Contributing to the local economy as the Government's operational arm, the MEB is in permanent contact with people in business. It is well briefed and acutely aware of their concerns and are therefore well able to respond, often working with local authorities, public and private.

The MEB's intention is to build and strengthen the MEB working relationships with companies and financial institutions at home and abroad.

Its missions are to attract new businesses, new entrepreneurs to bring their economic expertise and spheres and set up business activities within the Principality of Monaco and to support the development of Monaco companies on a local and international level.

www.meb.mc

ROLLS ROYCE

LUXURY LUGGAGE COLLECTION

CARBON FIBER

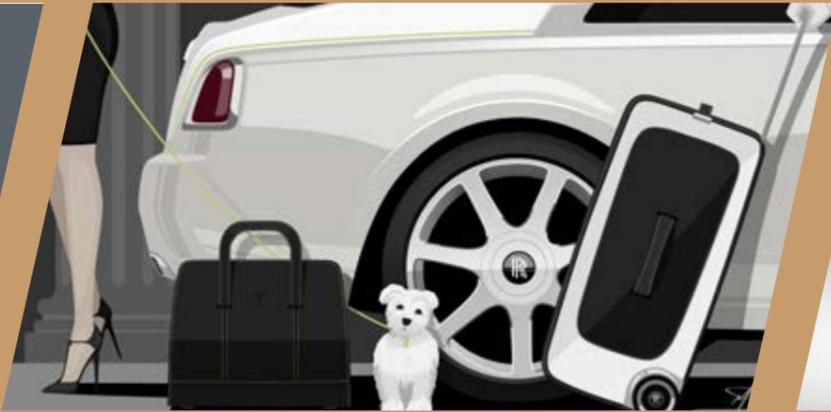
light weight and durable

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

THE GARMENT CARRIER

A sleek and slim-lined addition

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



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

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

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

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

Counsel was sought from experts accustomed to handling discerning individuals' luggage. The design team conversed with Head Butlers from some of the world's most illustrious hotels, who offered insight into the interaction between guests

and their belongings. Luggage is not only seen as an expression of style, but also as a wardrobe from home, increasingly important as entrepreneurs and captains of industry adopt a more transient lifestyle.

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

found in the form of the discrete fastenings, which magnetically dock, providing optimum designed resistance formed from a solid billet of machine polished aerospace-grade aluminium, inspired by the silhouette of Wraith.

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

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

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



WHY DO THE WEALTHY BORROW?

by Tina Davis Milligan & Rosanne M. Peel, BMO Family Office

BMO FAMILY OFFICE

So they can grow their wealth in strategically tax-efficient ways.

The wealthy understand the power of leverage. With relatively low interest rates, borrowing against an investment portfolio to fund major purchases can not only provide liquidity in a tax-efficient way but may even boost portfolio returns. Margin loans and non-purpose lines are two effective ways to do this.

Before using debt, investors must carefully consider how much leverage is appropriate. The volatility in their portfolio, cash flow and net worth, as well as overall liquidity and risk tolerance, must be factors in deciding whether — and how much — to borrow.

Margin: Optimal for buying publicly-traded equities

If the purpose of borrowing is to purchase publicly-traded stocks, then margin is the appropriate source. A margin line allows investors to borrow up to 50% against the value of marketable securities in their investment portfolio. The line can be used for any purpose, including buying securities such as publicly-traded stocks and convertible bonds.

Bear in mind that if the portfolio balance falls below a certain point, investors may be required to deposit additional funds or pay down their line of credit. Therefore, it's best to lower the overall volatility of the portfolio where possible.

One way is to ensure that any purchased assets have low correlation with the current portfolio; the higher the correlation among assets within a portfolio, the more volatile the returns are likely to be. Ideally, investors should choose assets that increase diversification and therefore lower the expected volatility of the overall portfolio.

When considering leverage to help enhance portfolio returns, it's important that the expected return on the purchased assets exceeds the cost of the debt. Investors should not take an outsized risk in pursuit of only moderately higher returns.

Non-purpose lines

For a fast and flexible source of funds, many investors choose a non-purpose line of credit (NPL) secured by their marketable securities portfolio. NPLs differ from conventional margin by offering better pricing and better advance rates. While they can be used for nearly any purpose, regulations prohibit their use for buying publicly-traded equities.

Unlike alternative sources of standby liquidity such as home equity lines of credit, NPLs can usually be set up quickly, with minimal paperwork and no closing or maintenance fees. What's more, advance rates are higher than margin, with the ability to borrow 65% to 85% of the market value of their portfolio, depending on the asset mix. In addition, interest rates tend to be far lower than for both HELOCs and margin — typically below Prime.

Advantages of NPLs for ultra-affluent clients

NPLs allow the wealthy to smooth out cash flow and meet short-term liquidity needs without being forced to sell at an inopportune time or incur the tax consequences that may arise from the sale of securities. They can be particularly useful for those with a portfolio of low-basis stocks or concentrated investment positions.

Also, NPLs offer quick access to cash, making them a good source of bridge financing to facilitate the purchase of big-ticket before securing permanent funding. NPLs provide all the advantages of cash acquisitions, more favourable pricing and terms, while allowing investors to remain fully invested without sacrificing potential portfolio appreciation.

For those with concentrated investment positions, NPLs can provide an effective means of portfolio diversification. By leveraging the concentrated asset, investors can reinvest the proceeds in order to diversify their holdings while slowly unwinding their concentrated positions over time.

Interest deductibility considerations for investment-secured lines of credit

Interest on loans secured by investments may be deductible if the proceeds are used to purchase additional investments or to fund trade or business capital needs. Note that the amount of the investment interest expense that may be deducted when the loan proceeds are used to purchase additional investments is limited to the net investment income for the year. When the loan proceeds are used to meet business capital needs, the business expense deductions are limited to 30% of adjusted taxable income with an exception for small businesses and real estate companies.

Bottom line

Whenever using leverage, there is a risk that the asset used as collateral will decline in value and the cost of borrowing could exceed the potential return of the acquired asset.

While securities-based lines don't typically have fixed repayment schedules, investors may be required to deposit funds or pay down their line of credit if the value of their portfolio drops below a certain point. For that reason, it's important to keep leverage to a manageable amount and maintain sufficient liquidity elsewhere as a cushion.

However, the prudent use of debt can allow investors to maximise their investment returns while meeting their liquidity needs. Work with an experienced lending professional to evaluate whether this option is right for you.

www.bmofamilyoffice.com

WE ARE LEADERS IN OUR FIELD WITH A PROVEN TRACK RECORD

Thomas & Dessain are experts in the field of offshore and international recruitment. We have a proven track record in finding leaders and teams for family offices with a commitment to delivering a highly confidential professional and responsive service.

Telephone: 01534 888345 Email: rosy.dessain@thomasdessain.com www.thomasdessain.com



THOMAS & DESSAIN

MOVING TO MONACO

By Irene Luke, Savills Monaco

In a rapidly changing world, you need a safe haven: Monaco is that place.

Politically stable- the Grimaldis have remained the monarchs of this micro-size sovereign state for over 700 years- Monaco is an independent state and a member of the international community but not part of the European Union.

Monaco has managed to maintain a policy of not charging its residents income tax – there is no income tax, wealth tax or capital gains tax. It is not a tax haven, however, and tax does exist on goods and services (VAT at 20% generally) and there is a business tax on profits unless three-quarters of the business turnover is generated within the Principality.

Monaco provide its residents with all that one should expect from a world city: an excellent health service, an efficient education system, a good public transport network and comprehensive social services. All that and physical safety too with more police per capita than any other state in the world.

The procedure for obtaining a residence card in Monaco is simple: Swiss and EEA nationals can apply for a card directly in Monaco, whereas other nationalities must first apply for a visa from the French authorities.

Once this long stay visa is obtained, the applicant should make an appointment with the Monaco police to obtain a residence card and will need to provide:

- (i) Proof that the applicant has sufficient income to live in Monaco: for non-employees, this means an attestation less than 3 months' old from a bank in Monaco confirming that the applicant has sufficient means at his/ her disposal to enable him/ her to live in Monaco without having to work;
- (ii) Proof that the applicant has not been convicted of a criminal offence;
- (iii) Proof of accommodation in Monaco:
 - Title deeds if the applicant has purchased a property in Monaco;

- Copy of the registered lease (minimum period 12 months) if the applicant is renting a property;
- An accommodation certificate where the applicant is provided with accommodation free of charge by someone else.

Once the application is lodged and the applicant has been interviewed in person, the file is examined and if all is in order, the applicant should obtain a residence card within approximately 2 months.

Whilst it is not necessary to buy a property to live in, in order to obtain a residence card, many do buy for various reasons, personal and financial.

Monaco is the most expensive prime residential market in the world.

In 2018 (the most recent complete year on record), average prime residential values in the Principality were 10% higher than Hong Kong, 96% higher than New York, 176% higher than London and 237% higher than Paris.

Monaco's residential market had a strong year in 2018, the last complete year on record to date. The average price per square metre was €48,800 in 2018, an increase of 18% compared with 2017.

Overall, transaction volumes increased by 15% in 2018 compared with the previous year. Figures for 2019 are not yet available in full but the first 6 months show a decline in the volume of sales (around 15% down) though prices per square metre appear not to have fallen.

While price growth is slowing across the world's leading prime city housing markets, with an average growth of 2.3% over 2018, Monaco's average price per square metre increased by 18.1% during the same period.

In 2018, Monaco was also the most expensive market to rent prime property. Despite a number of new

apartments being added to the rental market in recent years, demand is still high, driven by new arrivals to the Principality.

In the first quarter of 2019, average asking rents per month were €101 per square metre, ranging from €90 per square metre for a studio or one-bedroom property, to €113 per square metre for properties with four or more bedrooms.

Innovative thinking hopes to overcome a lack of supply and Monaco is constantly coming up with new ways in which to expand. The most important current development is the land extension called Portier Cove- Monaco's €2 billion, six hectare land reclamation project – one of Europe's most ambitious construction projects. Completion is expected in 2025.

Portier Cove will create a new luxury residential area with public spaces that include a hill and landscaped park, a seafront promenade and a marina. There is a focus on sustainability. As the development progresses, new seabeds are being created to relocate delicate species and to ensure their protection. The finished project will include a number of sustainability features such as e-bike stations and solar-energy panels.

Given the high population density and lack of undeveloped land, Monaco has been reclaiming land from the sea since the late 19th century. The development of the Fontvieille district in the 1970s extended Monaco's land by 20%.

Nestled between the Alps and the Mediterranean, Monaco's location itself is thrilling: winter sunrises to raise the spirits, ski resorts within a 2hour drive and the Grand Prix to look forward to in the streets every May. Easily accessible by plane to the rest of Europe and beyond, Monaco is a perfect base for anyone looking for somewhere safe, stable and accessible within Europe. And as a place in which to invest in real estate, the past years have shown the market to be remarkably resilient and indeed positive.

Irene Luke has been with Savills since 2011 and became a co-managing partner in 2012. She is a lawyer by training, having read law at Oxford University, and has practiced in both London and Monaco, working first as a commercial property lawyer, then in the private client field.

www.savills.com

t: +44 1223 881691 e: sales@1066pianos.com www.1066pianos.com



The finest pianos in the world.
Handcrafted in Cambridge, England.



INTERNATIONAL DELIVERY



SELF PLAYING SYSTEMS AVAILABLE

PLEASE CONTACT US FOR FURTHER DETAILS ON THESE EXCEPTIONAL INSTRUMENTS FROM THE 1066 PIANO COLLECTION



ON THE HIGH SEAS

VOLY'S GAME-CHANGING SOFTWARE

Ultra-HD laser projectors; invisible, scannable audio speakers; high-speed, high-bandwidth internet connection; on-board Bluetooth 'beacons' which automatically set the music and lighting of a room to the exact individual tastes of the guest as soon as he or she walks into it ... these are some of the ultra-gadgets that today's and tomorrow's superyachts offer.

Such vessels are among the most high-tech on the seas. Advancements in their technology over the past few years have outpaced those in most business offices and homes. And yet, when it comes to cybersecurity and the safe and efficient handling of expenses – which, by the nature of this luxury pursuit, can mean four, five and even six-figure sums – many superyachts are being left in the wake of the latest trends.

Onboard many of these yachts it's not unusual for sensitive expense data to be inputted manually by a crew-member into an Excel file before being emailed to a family office or management company. This means that vast amounts of data – which could include everything from fuel costs, own-

er's food & beverages to entertainment bills – is insecure. Swilling around in the pirate-infested high seas of the internet can be, for many superyacht owners, expenses amounting to millions each year, not to mention other highly sensitive personal information that thieves and hackers would love to get their hands on. As the saying goes, there's plenty more 'phish' in the sea.

David Rider of CSO Alliance, an international organisation that works to protect the maritime community from criminals, suggests in his article *Cyber Security at Sea: The Real Threats* that although piracy and other such seafaring dramas might be a threat, the real onboard Achilles heel is the crew themselves, and the way they handle the accounts.

Until recently, accountancy solutions designed for yachts and other high net-worth assets have been thin on the ground. The captains and crew of yachts, though they provide owners and guests with a fabulous six-star service, aren't always from an accountancy background. Taking on the role of accountant can mean dealing with budgets more often associated with a multimillion pound business.

So user-friendliness is crucial. One company, Voly, has answered the superyacht tech-SOS with a multi-currency accounting solution it says is unique and completes the full circle of onboard and ashore accounting with a smartphone crew app, fully integrated high-limit prepaid Mastercard and foreign exchange payment platform. Users, both onboard and ashore, are also offered the ability to manage expenses and expenditure in real time, as well as run a multitude of pre-defined reports at the click of a button.

Gone, it therefore seems, with the advent of this technology, are the days of captain and crew struggling to reconcile the accounts at the end of the month and, wading through receipts inputting data into an Excel file. Scan the receipt with your Voly app and you can get on with the more important task onboard – keeping your passengers happy. "Current users," says Liz Jackson Senior Sales & Marketing Manager, "report that the time saving is over 50% each month from using Voly on board, rising to 75% when users utilise the Voly Pre-paid cards."

So much for accounting efficiency, but what about security? As with everywhere else, having reliable internet and WiFi access on a superyacht is a vital requirement. But these cyber-luxuries come with risks, which yacht owners and crew members have to face along with the rest of us, such as vulnerability to malwares, ransomwares, phishing and virus attacks that might sneak in via emails, usernames, passwords and the like. Data security is at the heart of Voly, says Ian Flanagan, Group CEO "All Voly's system information is protected using 'salting', a modern and highly secure encryption method which makes it impossible for hackers to access data if they



know a user's email address. And Voly's servers are only accessed using 'private key, public key exchange', a high-tech alternative to usernames and passwords which blocks access with compromised passwords."

Google's 'Project Loon' – its ambitious dream to deliver internet access to the most remote places by means of high-altitude balloons – might mean that one day on the high-tech maritime horizon super-yachts could have their own balloons accompanying them to

guarantee the high-speed internet connection that guests anywhere on terra-firma would absolutely demand.

Can Voly's game-changing software, with its industry-leading security and user-validation, give crew and yacht owners alike the peace of mind to know – while they enjoy their real and virtual views onboard – that their personal and financial data is as safe as the superyacht they're sailing on? Sounds like one luxury they certainly can afford.

www.voly.co.uk

FAMILY OFFICES IN THE GCC COUNTRIES

by David Gibson-Moore: President and CEO, Gulf Analytica, Dubai, UAE

Merchant families in the GCC countries have always held a very important place as key pillars of society. Indeed, in the early days of Saudi Arabia, during the long reign of King Abdulaziz Al Saud, the royal family depended significantly on these merchant families for financial and logistical support at different times. The most famous family names still resonate today: Ali Reza, Bin Ladin, Jamjoum, Juffali, Kaki, Bin Mahfouz, Olayan, Al Rajhi, Al Suleiman and many others.

The same situation prevails in other Gulf countries and the merchant families remain today key players in construction, finance, hospitality, logistics, retail and many other sectors. They have also joint ventured with many of the most significant international corporations to facilitate business in the region. Many family members are assigned to key government positions.

They are today however facing some significant challenges. Gulf family businesses are often set up in the form of sole proprietorships or partnerships which can make change challenging. Additionally, most families, particularly the first and second generations, prefer to continue investing in their businesses in ways that are tried and tested. This is where they have been most successful. There is also the on-going task of upholding cultural and family values in today's rapidly changing world.

The elderly patriarchs who founded the businesses, often at the dawn of the oil era, are now, however, passing from the scene and probably the most serious challenge is the imminent generational transfer of wealth. This is estimated to be over \$1 trillion in the next decade with enormous implications for family succession and governance.

To navigate this situation successfully will put special emphasis on two factors: governance within the family office and successful management of the family's wealth.

Unlike many family offices in the rest of the world which recruit outside investment professionals, most GCC family offices are tightly controlled by the family itself. There are

typically family members actively involved in all investment decisions. The manager actually running the office is often a family confidant who in some cases may have been in the job for the last 30 years.

Moreover, when outside professionally trained managers are recruited, they can often become frustrated by the slow pace of change within the family. This is a challenge for some of the complex issues facing families in the GCC.

Overall family office investors need to manage three objectives to maintain their wealth: achieve long-term capital growth, obtain predictable cash flows from interest and dividends as well as minimising the negative impact of taxes, fees and investment losses. Two factors often complicate this. Firstly, many of the direct corporate and real estate investments are legacy assets connecting other family members or close family friends and therefore in the family's eyes cannot be changed. Secondly, there is frequently a misapprehension in terms of the projected benefits of diversification. Often the stated objective is to achieve a target rate of return of at least 15% pa with zero risks!

The process of asset allocation is the first step. The endowment model will usually be the starting point. These are long term, intergenerational strategies pioneered by the Harvard and Princeton endowments and generally mean/variance optimised.

In practice, it is difficult to obtain specific statistics on current, ongoing family office investment strategies in the GCC family offices. It appears however that portfolios are increasingly oriented towards higher risk/high return albeit less liquid asset classes. Asset allocations to private equity rose to 22% (and hedge fund exposure reduced to only 6% in 2017) according to a UBS survey. The next most popular asset class is direct real estate accounting for 17% in the average portfolio.

In the case of a number of families, there is the desire to select Sharia-compliant investments. As a result, the actual portfolio allocations will either be strictly in compliance with Sharia guidelines or else sometimes more loosely "Sharia-friendly".

These Sharia requirements will constrain the range of possible products in the portfolio. Neither hedge funds or conventional bonds or other interest related investment products relying on derivative structures will not be allowed although sukuks may substitute the latter. To ensure proper decision making and intergenerational flexibility, the best functioning family offices have set up governance structures comprising of several components: a family council with its own constitution to make decisions, a board with outside directors, a succession plan endorsed by the founder as well as other key family members and fair and transparent recruitment process.

In the Gulf region, MFOs have often been set up initially as SFOs and then extended their services to other families. Good examples of this would be SEDCO set up in Jeddah by the Bin Mahfouz family and The Family Office in Bahrain set up by the Al Omran family.

In the UAE, both SFO and MFO structures can be set up at the Dubai International Financial Centre (DIFC) and the Dubai Multi-Commodities Centre DMCC. Abu Dhabi has similar possibilities at the Abu Dhabi Global Market (ADGM) as do each of the other jurisdictions in the Gulf.

Some family offices have been looking at the possibility of seeking a flotation on either a local or international market for some or all of their business.

This would allow access to broader funding and possible facilitating an exit for a partner and realising financial gains. However, many family business owners are reluctant to dilute family ownership with the potential loss of control and the greater transparency that would be required by publicly owned stock.

All in all, it is fair to say that many challenges face GCC family offices in today's fast-changing world. Given their importance to the local Gulf economy, it is essential that both outside advisers and families themselves carefully adapt and evolve to ensure continuing growth as well as the on-going interests of family members.

One of the family.

The only system you need for your Single or Multi-Family Office.

NavOne is the world-leading wealth management system delivered by Touchstone and powered by Microsoft Dynamics NAV technology.

Used by Single and Multi-Family Offices, small to large trust and fund administration companies, private equity firms and specialist legal and accounting practices across 24 global jurisdictions, NavOne is proven to increase operational efficiencies and reduce administration costs and enable secure and selective private client access to their data.

For more information call 01534 818900 or visit touchstoneOne.com

Delivered by  **Touchstone**
Wealth system experts

Powered by 

MAGIC CIRCLE AWARDS

Technology Vendor of the Year

Citywealth
2015 WINNER



 **NavOne**
One complete system

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.

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



COLUMBUS
MONTE-CARLO



LIVING RIVIERA STYLE

Columbus Monte-Carlo is a true one-off;
Location, views, a cool and relaxed sophistication,
all match the fabric of vibrant Monaco.
Mediterranean Restaurant TAVOLO
Cocktail Bar
Serviced Residences

THE HIDDEN GEM OF MONACO

[#NewColumbusMonteCarlo](#)

+377 92 05 90 00 | 23 avenue des Papalins | MC 98000 Monaco | www.columbushotels.com



THE 7

STATUS. WITHOUT THE QUO.



BAYERISCHE MOTOREN WERKE

Featuring new exquisite design details, the finest materials and powerful innovations, the new BMW 7 Series Saloon, delivers a new echelon of driving pleasure. To find out more please contact the team on:

📞 0370 700 5216

🌐 www.bmwparklane.co.uk

✉️ mail@bmwparklane.co.uk

BMW Park Lane
70 Park Lane
London
W1K 7TT

The fuel economy and CO2 results for the BMW 7 Series range including plug in hybrid: 20.8-141.2 combined mpg (13.6-2.0 l/100km). CO2 emissions 282-48 g/km.

Figures are for comparison purposes and may not reflect real life driving results which depend on a number of factors including the starting charge of the battery, accessories fitted (post registration), variations in weather, driving styles and vehicle load. For plug-in hybrid vehicles they were obtained using a combination of battery power and fuel, for battery electric vehicles after the battery had been fully charged. Plug-in hybrid and battery electric vehicles require mains electricity for charging. All figures were determined according to a new test (WLTP). The CO2 figures were translated back to the outgoing test (NEDC) and will be used to calculate vehicle tax on first registration. Only compare fuel consumption, CO2 and electric range figures with other cars tested to the same technical procedure.

SOLVING DISPUTES DISCREETLY

One of the prime considerations for families is the desire to maintain confidentiality and protect reputation.

This is particularly important when things go wrong, when a dispute arises and cannot be easily resolved. The last thing a family wants is a major public row, or a court case splashed all over the newspapers and social media. This is where advisers with a background in dealing with problem-solving and negotiation come in useful, indeed essential. And who knows more about confidentiality and discretion than a former Ambassador?



Boyd McCleary
The Ambassador Partnership

The Ambassador Partnership is a unique specialist consultancy of former Ambassadors with unrivalled networks of influence in some 100 countries and with access to many more. We provide discreet services to resolve your international problems and to improve your capacity to operate effectively, wherever you need to. We work across the globe in areas such as finance, commodities, security, and anti-corruption. Our clients include governments, financial institutions, multinationals, investors, underwriters, consulting and corporate intelligence agencies, and law firms.

We are experts in the analysis of political risk, a significant issue for international investors today. Such risks include the nationalisations or direct expropriation of international investments. They can also materialise when governments change, or when contracts, domestic or international regulations are interpreted in a particular way by a government or parastatal body against the interests of the foreign investor. These risks are greater in developing or frontier markets, which are often the most attractive in terms of potential return on investment. And they are notoriously difficult to assess, mitigate and manage.

When disputes arise, they can of course sometimes be settled by conventional means, in the courts or through recognised forms of arbitration. International investment treaties might help. But litigation and arbitration are not always straightforward and can be protracted and expensive. They can also result in media coverage, which does not necessarily show the foreign investor in the best light. These difficulties are most likely to arise in countries where authoritarian or extreme governments are in place.

The Ambassador Partnership has extensive experience of dealing with such situations, when commercial relations have broken down, when business has been adversely affected by government action or inaction, when senior level intervention is needed, or when a long-running problem needs a fresh approach.

We represent clients in negotiations, or work with their support teams of advisers, insurers and investors. We offer formal or informal mediation, where parties to a problem want to settle or narrow their differences.

Examples of situations where we have been involved include:

Advising an international client with offshore energy concessions entangled in legal processes in a Balkan country

Interceding with a Middle East Central Bank on behalf of major financial institutions and insurance groups in a dispute which had been escalating for months

Engaging with a West African government to solve a long-running problem for a large commodity trading company

Representing an international energy company in a protracted dispute with a state-owned oil company of a Caribbean nation following a change of government

In all cases, our intervention was at high-level, confidential, discreet and effective.

Finally, we also help clients develop their own skills in negotiation, problem-solving, crisis management and personal communication. We offer a specialist public speechwriting support and associated protocol advice. For members of families looking to

develop their presentation skills, we would provide a completely tailored approach.

If any of the above sounds relevant, we'd love to hear from you. Further details of our services can be found at www.ambassadorllp.com

For those interested in international affairs, why not sign up to our AP Insights, regular articles written by our team and guest contributors on current issues on the global stage? For all queries and further information please contact our Partnership Secretary, Tracey Stewart at tracey.stewart@ambassadorllp.com

Boyd McCleary is a Partner in The Ambassador Partnership and an accredited civil and commercial mediator. He is a member of the Advisory Board of the Official Monetary and Financial Institutions Forum and holds an Honorary Doctor of Laws from the University of Nottingham. Boyd spent 40 years in the British Diplomatic Service, serving in Korea, Turkey, Malaysia, Germany, Canada and the British Virgin Islands. Much of his work was in support of British companies exporting to international markets, or with international companies setting up in the UK.

boyd.mccleary@ambassadorllp.com

Otium PARTNERS

We are a family office that specialises in Financial Consultancy and Luxury Lifestyle Management, serving wealthy clients in the UK and Abroad.

WWW.OTIUMPARTNERS.COM | 0203 095 2101 | [OTIUM_PARTNERS](https://twitter.com/OTIUM_PARTNERS)



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.

Merrill Lynch, Pierce, Fenner & Smith Incorporated (also referred to as "MLPF&S" or "Merrill") makes available certain investment products sponsored, managed, distributed or provided by companies that are affiliates of Bank of America Corporation ("BofA Corp."). MLPF&S is a registered broker-dealer, Member SIPC and a wholly owned subsidiary of BofA Corp.

The Complete Service

Providing the very best that superyachting has to offer

Burgess is the only full service global superyacht company. Tailor-made solutions and full support for all our clients. Whether you wish to purchase, sell or charter a yacht, we cover every angle. Whatever your needs, if you want the most spectacular yachts, speak to Burgess – the world's leading superyacht specialist.



BURGESS

London +44 20 7766 4300
Monaco +377 97 97 81 21
New York +1 212 223 0410
Miami +1 305 672 0150

Moscow | Palma | Athens |
Los Angeles | Seattle | Mumbai

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



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

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

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)

www.ch.pwc.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.



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

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

VERTUS
PERSONAL CONSULTING SERVICES
NICHE EXPERTISE – PROACTIVE THINKING
GLOBAL KNOW-HOW - BESPOKE SOLUTIONS

**HOME & ESTATE
MANAGEMENT ADVISORY**

**SECURITY & SAFETY
SUPPORT SERVICES**

PROJECT MANAGEMENT

AUDIT & CONSULTING

COST CONTROL ASSESSMENTS

PERIPHERAL SERVICES
www.vertus-global.com



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.

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.



Steve Muscat Azzopardi
Chetcuti Cauchi Advocates

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.

asksmac@cclex.com

We know where.

NOTA BENE

*The world's most
fabulous travels.*

notabeneglobal.com



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 Ghosn is arrested in Tokyo, to figure out its exact exposure to the US-China trade war 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.

www.quantilia.com

If you're looking for rounded family office expertise, there's one place you should look...

here.

Guernsey

International Finance Centre

Find out more at guernseyfinance.com



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.sgdllaw.com



STRUCTURING COMPENSATION FOR EXECUTIVES TO ALIGN WITH YOUR FAMILY OFFICE GOALS

By Elizabeth L. Alfano, Robert K. Barbetti and Kaylin C. Klinger

Is your single-family office interested in recruiting executives to perform sophisticated functions? If so, be ready to face challenges when competing to attract and retain outside talent. The cost of this support depends on the purpose and objectives of your family office. If your family office was formed to generate investment returns and to provide tax and legal functions, you may be competing with the most sophisticated financial institutions and private equity firms, and their robust pay packages, for talent.

Because family offices are privately held, they aren't typically able to offer the types of incentives available

at publicly traded companies or large operating partnerships, such as stock options or other forms of equity. However, with a well-structured compensation program, these challenges can be overcome through the creative use of incentive arrangements that can entice top talent.

As you begin the recruitment process, you'll want to make sure candidates not only have the requisite skill set, but also are a good fit for your culture. Paying up for the perfect candidate on paper means nothing if the person isn't trustworthy or compatible with your family, its values and priorities.

	Core	Established	Institutional	
Staffing	# of employees	1-5 employees	6-10 employees	11+ employees
	Staff overlap with business	Significant	Some	None
Investments	Investment committee?	Informal	Mostly formal, with family involvement	Formal, with family oversight
	Investment styles	Outsourced, manager of managers	Outsourced, manager of managers, direct investments	Outsourced, manager of managers, direct investments
Overview	Services typically provided	Investments, accounting, taxes, reporting	Investments, accounting, taxes, reporting, concierge, philanthropy	Investments, accounting, taxes, reporting, concierge, philanthropy, legal
	Operational description	<ul style="list-style-type: none"> In-house team supports some family needs Employees fulfill multiple roles with broad responsibilities Extensive outsourcing for many services In-house professionals manage external providers 	<ul style="list-style-type: none"> In-house team supports most family needs Employees have well-defined roles and responsibilities Some outsourcing 	<ul style="list-style-type: none"> In-house team supports all family needs Employees have well-defined roles and responsibilities Strategic outsourcing

Source: "The Single Family Investment Office Today: A primer on structuring an investment office to achieve family objectives and societal value," World Economic Forum and J.P. Morgan, August 2016.

Starting with your family office objectives, you can then determine who to recruit

A majority of family offices are formed to manage wealth and foster entrepreneurship. To service these functions, in what we'll call the "core" model, family offices are typically staffed with one to five investment and tax accounting professionals who may largely perform risk management functions. An "established" family office may add philanthropic and concierge staff, whereas an "institutional"-level family office may insource legal professionals.

(For further detail, see the chart on page 3)

Broadly speaking, a single-family office will typically begin with a CEO who is a family member and lead decision maker. Executive responsibilities may not be clearly defined at this stage, and there may be overlap in functions. Roles may be filled largely by family members, and compensation may be determined on an ad hoc or informal basis, potentially causing intra-family conflicts. Even at this stage, applying a structured approach to family office compensation can prove beneficial.

Most (if not all) family offices will find that some degree of outsourcing is required to meet their goals. This can range, for example, from sophisticated wealth planning and advice, to corporate finance services, customized credit solutions and investment banking support. When family office functions begin to grow

in complexity, the family typically looks to insource experienced professionals.

A family office will want to prioritize hiring for the long term. Candidates should have the right professional background and have character, integrity and values aligned with the family. Even when hiring from within the family, those members should be aligned with the long-term family goals.

The most common family office executive roles are CEO, CIO, CFO and COO; however, other roles may be considered executive level as well. With a more formal structure, roles and responsibilities will need to be clearly articulated, as well as compensation for the executive team, although job descriptions may evolve as the family office expands. Accordingly, there may be a limited number of candidates with the professional background and cultural fit for the envisioned roles.

The table below illustrates the typical responsibilities and professional background of a family office CEO and CIO:

As your family office grows in complexity, it's time to formalize executives' pay

Now that you've identified your family office's objectives and staffing needs, it's important to ensure that your compensation structure aligns executives' pay packages with your desired outcomes.

	Responsibilities	Typical professional background
CEO	<ul style="list-style-type: none"> Responsible for management and oversight of all office activities and all staff Executes the family's vision and addresses all stakeholder needs through the family office's activities 	<ul style="list-style-type: none"> Former executive within the family's operating business Trusted financial advisor, portfolio manager or legal counsel
CIO	<ul style="list-style-type: none"> Responsible for managing the family office's investment portfolio Outlines investment policy and approach, portfolio allocation, and investment process Oversight of due diligence activities Monitors all strategies and all positions 	<ul style="list-style-type: none"> Former portfolio manager at an endowment, PE fund or hedge fund

Pay-package components for CEOs (percentage of survey respondents in parentheses)

(86%) Base salary: Standard component of most family office packages.

(65%) Discretionary bonus: An important part of incentivizing investment teams in family offices where some investment decisions may be driven by subjective family preferences.

(31%) Metrics-based bonus: Based on objective performance indicators such as total fund return, IRR targets or reaching a certain milestone. Only 31% of families employ this mechanism, mainly because in many cases investment decisions are often influenced by the family.

(23%) Carry in underlying investments: Similar to PE funds, many family offices today offer carry in underlying investments to the investment team. This may drive the team to execute as many deals as possible because they benefit from successful transactions, and pay no consequences for unsuccessful ones—misaligning incentives between the team and the family.

(27%) Co-investments alongside the family: Key family office leaders are able to allocate their own equity into investments the family office is pursuing. This creates long-term alignment of incentives between the family and senior staff.

(7%) Profit center: Family office leaders own a minority stake in the family office. The office is treated as a service provider, earning fees for services. Profits accrue to the family office leaders, ensuring that leadership has a full “owners’ perspective.”

Diagram title: *etermining the compensation mix*

Many family offices simply offer executives a base salary and a discretionary cash bonus. This allows the family to decide how much value the executive has added to the office over the past year, and to pay accordingly. Although it provides maximum flexibility for the family, there may be less incentive for the executive, because they don’t have a concrete idea of how their annual performance-based compensation will be determined. And it may not be the ideal compensation mix to effectively drive desired behavior.

Diagram on page 5, Determining the compensation mix

Subhead: **Moving from discretionary to metrics-based performance incentives**

Some family offices prefer to be more prescriptive and offer annual metrics-based cash bonuses structured so the executive’s performance compensation is based exclusively on measurable data. In this case, the executive will have clear guideposts as to what results they need to achieve in order to maximize their compensation. Some common metrics include

achieving certain IRR targets or total fund return.

When considering metrics-based performance incentives, it’s important to keep two things in mind:

1. The behavior you’re trying to drive
While it may seem smart to reward someone for earning significant returns for your family, it’s important to assess what type of risk-seeking behaviors you may be encouraging in rewarding an executive based solely on the attainment of a higher overall return. Assuming the executive isn’t putting their own personal wealth at risk, they will be rewarded for upside without taking on the risk of any downside. This may incentivize an executive to pursue an overly aggressive investment strategy.

For under image Source: “The Single Family Investment Office Today: A primer on structuring an investment office to achieve family objectives and societal value,” World Economic Forum and J.P. Morgan, August 2016.

2. The impact of family involvement
The level of family involvement in investment

decisions, and the process for evaluating and approving investment opportunities, should be considered when implementing a metrics-based plan. For example, if a CIO sources a great investment opportunity, but is then required to discuss with the family and wait for potentially lengthy investment committee approval before investing, the delay in executing the investment may be costly. If the CIO’s hands are tied, it could impact the family office’s ability to participate in an investment or even negotiate the deal terms. And if the CIO is compensated based solely on metrics, they may be frustrated by their inability to execute deals timely.

Thus, if your family office likes to be hands-on with the investment process, it is worth considering whether metrics-driven awards are truly the best option or whether the family should be given discretion over all or a portion of annual performance bonuses. In all of these cases, we should note that the cash compensation would be taxed as ordinary (compensation) income when received.

Motivating longer-term investment decision making through incentive pay

While discretionary and metrics-based annual bonuses offer payouts tied to the performance period (fiscal or calendar year), there are alternatives that can better align executive pay with longer-term performance. Your family office could grant executives phantom equity, an award that mimics actual equity but is paid in cash. Phantom equity can vest over time, with specified cash payout dates, thus shifting the executive’s incentive structure and performance period to a longer term, for example, to 3 or 4 years.

Additionally, your family office could set up a phantom performance award arrangement. You would first identify the plan metrics (often two or more), and then provide a range of cash payouts contingent upon the attainment of these metrics. For instance, if the goal is to achieve a 5% IRR, an executive would be eligible to receive 50% to 150% of a target dollar amount at the end of the performance period, depending on actual IRR, over a certain number of years. The performance period and payout period can vary; however, a typical performance-based plan vests after three years and is

paid out thereafter, either in total or via installments over a period of two to three years.

A family office seeking longer-term alternatives to cash compensation, that also align the family’s interests with those of the executives, should consider offering co-investment (“co-invest”) opportunities and carried interest (“carry”) in underlying investments. If structured correctly, co-invests or carry can be taxed at preferential capital gains rates. (Please note the tax rules relating to co-invests and carry are complicated and outside the scope of this article). These vehicles typically have lengthy time horizons of up to 10 years in some cases before providing returns, so the executive may be without cash and will need to balance the potential benefits with near-term liquidity needs.

In the co-invest structure, executives are given the opportunity to invest their own money alongside the family’s money. This does two things:

1. It allows the executive, who finds and sources deals, to capture some of the upside, with their own money
2. It ensures the executive is confident in the investment profile and is taking a prudent amount of risk, because their own funds are being invested and are at a risk of loss

For executives who don’t have the requisite liquidity to participate, co-invests can be structured as follows:

1. The family office could offer a loan to the executive. In this case, the executive could invest the money, but would need to pay interest at market rate during the term. When the investment is liquid (assuming this is the case), the executive can repay the loan.
2. Same as above, but the family office agrees to match, up to a certain percentage or dollar amount, the executive’s investment. The matching amount would be considered ordinary income to the executive.

As an alternative, carry allows an executive to participate in investment upside after a return of capital and a specified return on the investment. Carry can thus be a powerful incentive to executives, especially ones recruited from private equity firms who are used to receiving this type of pay. Of important note, unlike

co-invest, where the executive's interests are aligned with the family's, carry has the potential to motivate executives to enter into as many deals as possible, creating higher investment risk, with no downside for the executive.

What about longer-term ways to compensate family office executives?

Truly integrated family office executives can feel like an extension of the family. To reward these individuals for their trusted diligence and counsel, and also ensure they keep the executive for the remainder of their career, family offices can consider a customizable pension plan, such as a supplemental executive retirement plan (SERP) to meet their needs. SERPs can be offered selectively to key employees and allow the family office to set aside money on a tax deferred basis (for the employee), with employees paying ordinary income tax upon receiving funds in retirement. The plan will detail vesting requirements and eligibility considerations. SERPs can provide a substantial benefit in retirement and therefore incentivize loyalty to the family office.

Key takeaways

A robust executive compensation plan can be an invaluable tool in attracting and retaining the right talent to grow and drive your family office. As we've discussed, there are numerous tools, structures and incentives available to you and your family to draw and incentivize high-level candidates while ensuring their goals—both long and short term—remain aligned with the values and culture of the family. No matter the size of your family office, whether starting with a small core team or growing into a more institutional framework, ensuring you have the right executive compensation plan in place can pay dividends down the road.

IMPORTANT INFORMATION

LEGAL ENTITY, BRAND & REGULATORY INFORMATION

In the United States, bank deposit accounts and related services, such as checking, savings and bank lending, are offered by JPMorgan Chase Bank, N.A. Member FDIC.

JPMorgan Chase Bank, N.A. and its affiliates (collectively "JPMCB") offer investment products, which may include bank-managed investment accounts and custody, as part of its trust and fiduciary services. Other investment products and services, such as brokerage and advisory accounts, are offered through J.P. Morgan Securities LLC ("JPMS"), a member of FINRA and SIPC. JPMCB and JPMS are affiliated companies under the common control of JPM. Products not available in all states.

In Luxembourg, this material is issued by J.P. Morgan Bank Luxembourg S.A. (JPMBL), with registered office at European Bank and Business Centre, 6 route de Treves, L-2633, Senningerberg, Luxembourg. R.C.S Luxembourg B10.958. Authorized and regulated by Commission de Surveillance du Secteur Financier (CSSF) and jointly supervised by the European Central Bank (ECB) and the CSSF. J.P. Morgan Bank Luxembourg S.A. is authorized as a credit institution in accordance with the Law of 5th April 1993. In the United Kingdom, this material is issued by J.P. Morgan Bank Luxembourg S.A., London Branch. Prior to Brexit (Brexit meaning that the United Kingdom leaves the European Union under Article 50 of the Treaty on European Union, or, if later, loses its ability to passport financial services between the United Kingdom and the remainder of the EEA), J.P. Morgan Bank Luxembourg S.A., London Branch is subject to limited regulation by the Financial Conduct Authority and the Prudential Regulation Authority. Details about the extent of our regulation by the Financial Conduct Authority and the Prudential Regulation Authority are available from us on request. In the event of Brexit, in the United Kingdom, J.P. Morgan Bank Luxembourg S.A., London Branch is authorized by the Prudential Regulation Authority, subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. Details about the extent of our regulation by the Prudential Regulation Authority are available from us on request. In Spain, this material is distributed by J.P. Morgan Bank Luxembourg S.A., Sucursal en España, with registered office at Paseo de la Castellana, 31, 28046 Madrid, Spain. J.P. Morgan Bank Luxembourg S.A., Sucursal en España is registered under number 1516 within the administrative registry of the Bank of Spain and supervised by the Spanish Securities Market Commission (CNMV). In Germany,

this material is distributed by J.P. Morgan Bank Luxembourg S.A., Frankfurt Branch, registered office at Taunustor 1 (TaunusTurm), 60310 Frankfurt, Germany, jointly supervised by the Commission de Surveillance du Secteur Financier (CSSF) and the European Central Bank (ECB), and in certain areas also supervised by the Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin). In Italy, this material is distributed by J.P. Morgan Bank Luxembourg S.A., Milan Branch, registered office at Via Cantena Adalberto 4, Milan 20121, Italy and regulated by Bank of Italy and the Commissione Nazionale per le Società e la Borsa (CONSOB). In addition, this material may be distributed by JPMorgan Chase Bank, N.A. ("JPMCB"), Paris branch, which is regulated by the French banking authorities Autorité de Contrôle Prudentiel et de Résolution and Autorité des Marchés Financiers or by J.P. Morgan (Suisse) SA, which is regulated in Switzerland by the Swiss Financial Market Supervisory Authority (FINMA).

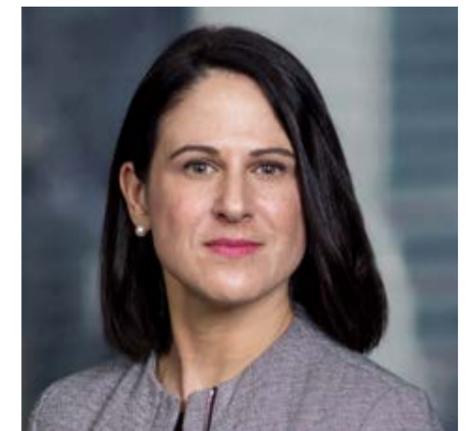
In Hong Kong, this material is distributed by JPMCB, Hong Kong branch. JPMCB, Hong Kong branch is regulated by the Hong Kong Monetary Authority and the Securities and Futures Commission of Hong Kong. In Hong Kong, we will cease to use your personal data for our marketing purposes without charge if you so request. In Singapore, this material is distributed by JPMCB, Singapore branch. JPMCB, Singapore branch is regulated by the Monetary Authority of Singapore. Dealing and advisory services and discretionary investment management services are provided to you by JPMCB, Hong Kong/Singapore branch (as notified to you). Banking and custody services are provided to you by JPMCB Singapore Branch.

The contents of this document have not been reviewed by any regulatory authority in Hong Kong, Singapore or any other jurisdictions. You are advised to exercise caution in relation to this document. If you are in any doubt about any of the contents of this document, you should obtain independent professional advice. For materials which constitute product advertisement under the Securities and Futures Act and the Financial Advisers Act, this advertisement has not been reviewed by the Monetary Authority of Singapore. JPMorgan Chase Bank, N.A., a national banking association chartered under the laws of the United States, and as a body corporate, its shareholder's liability is limited.



Robert Barbetti

Global Head of Executive Compensation and Benefits, Advice Lab at J.P. Morgan Private Bank



Elizabeth Alfano

Executive Compensation Specialist, Advice Lab at J.P. Morgan Private Bank



Kaylin Klinger

Executive Compensation Associate, Advice Lab at J.P. Morgan Private Bank

With respect to countries in Latin America, the distribution of this material may be restricted in certain jurisdictions. We may offer and/or sell to you securities or other financial instruments which may not be registered under, and are not the subject of a public offering under, the securities or other financial regulatory laws of your home country. Such securities or instruments are offered and/or sold to you on a private basis only.

Any communication by us to you regarding such securities or instruments, including without limitation the delivery of a prospectus, term sheet or other offering document, is not intended by us as an offer to sell or a solicitation of an offer to buy any securities or instruments in any jurisdiction in which such an offer or a solicitation is unlawful. Furthermore, such securities or instruments may be subject to certain regulatory and/or contractual restrictions on subsequent transfer by you, and you are solely responsible for ascertaining and complying with such restrictions. To the extent this content makes reference to a fund, the Fund may not be publicly offered in any Latin American country, without previous registration of such fund's securities in compliance with the laws of the corresponding jurisdiction. Public offering of any security, including the shares of the Fund, without previous registration at Brazilian Securities and Exchange Commission—CVM is completely prohibited. Some products or services contained in the materials might not be currently provided by the Brazilian and Mexican platforms.

JPMorgan Chase Bank, N.A. (JPMCBNA) (ABN 43 074 112 011/AFS Licence No: 238367) is regulated by the Australian Securities and Investment Commission and the Australian Prudential Regulation Authority. Material provided by JPMCBNA in Australia is to "wholesale clients" only. For the purposes of this paragraph the term "wholesale client" has the meaning given in section 761G of the Corporations Act 2001 (Cth). Please inform us if you are not a Wholesale Client now or if you cease to be a Wholesale Client at any time in the future.

JPMS is a registered foreign company (overseas) (ARBN 109293610) incorporated in Delaware, U.S.A. Under Australian financial services licensing requirements, carrying on a financial services business in Australia requires a financial service provider, such as J.P.

Morgan Securities LLC (JPMS), to hold an Australian Financial Services Licence (AFSL), unless an exemption applies. JPMS is exempt from the requirement to hold an AFSL under the Corporations Act 2001 (Cth) (Act) in respect of financial services it provides to you, and is regulated by the SEC, FINRA and CFTC under U.S. laws, which differ from Australian laws. Material provided by JPMS in Australia is to "wholesale clients" only. The information provided in this material is not intended to be, and must not be, distributed or passed on, directly or indirectly, to any other class of persons in Australia. For the purposes of this paragraph the term "wholesale client" has the meaning given in section 761G of the Act. Please inform us immediately if you are not a Wholesale Client now or if you cease to be a Wholesale Client at any time in the future.

This material has not been prepared specifically for Australian investors. It: may contain references to dollar amounts which are not Australian dollars; may contain financial information which is not prepared in accordance with Australian law or practices; may not address risks associated with investment in foreign currency denominated investments; and does not address Australian tax issues.

This material has not been prepared specifically for Australian investors. It:

- May contain references to dollar amounts which are not Australian dollars;
- May contain financial information which is not prepared in accordance with Australian law or practices;
- May not address risks associated with investment in foreign currency denominated investments; and
- Does not address Australian tax issues.

References to "J.P. Morgan" are to JPM, its subsidiaries and affiliates worldwide. "J.P. Morgan Private Bank" is the brand name for the private banking business conducted by JPM. This material is intended for your personal use and should not be circulated to or used by any other person, or duplicated for non-personal use, without our permission. If you have any questions or no longer wish to receive these communications, please contact your J.P. Morgan representative.

© 2019 JPMorgan Chase & Co. All rights reserved.

We help you to decide what your perfect jewellery looks like.



And then we make it happen.

heirloom
LONDON

Fine Jewellery Made Simple

London, EC1N 2PL
www.heirloomalondon.co.uk
(0044) 203 287 2875

DEVELOPING THE FAMILY'S CAPACITY FOR WEALTH CONTINUITY



By Aileen Miziolek

Consultant, The Family Business Consulting Group

Efforts at family wealth continuity can be divided into two main components. One is structural, including tools like trusts and estate plans, as well as rules and agreed upon policies for the family. The other is relational, made up of communication and relationships. Collectively sometimes referred to as family governance, both are necessary and must work together to create a strong foundation for the family's future. All too often, however, when families face challenges, their first instinct is to search out and apply theoretical best practices to improve structure. If policies have been previously established, they may revisit them in the hopes that existing rules will solve their problem. Often, they are surprised and sometimes become paralyzed with frustration when these approaches don't create progress. Unfortunately, and to the detriment of the family,

the underlying need and opportunity to address the problem by strengthening relationships is often neglected.

Sandra and Betty Lawrence are sisters and second-generation owners of a successful clothing store chain. They are in their early 60s, and their ambition is to continue expanding geographically and engage the next generation in the family business. They were well-advised by their accounting professionals to create a family council to represent the family's views and interests and to begin planning for the next generation's involvement early by putting into place explicit family business policies to guide the family and business. These policies are well-written and include a shareholders' agreement, family employment policy, family ownership policy, and a family philanthropy policy. One problem – these policies were adopted from the best practices of other families of the accounting firm. In other words, the Lawrence family got the work done without doing the work!

They missed the opportunity to build shared understanding and relationship through the process of developing policy. By doing so, the conflict they intended to avoid with policy was never truly addressed.

The most important benefit of creating family policies is going through the process of doing so. Whether the focus is on family business or family wealth continuity, at the core of both are family relationships. When facing family governance challenges, family leadership should not make the mistake of focusing on rules and policies and theoretical best practices and think the relationships

will magically fall in line and sustain themselves! Family governance is essentially a living agreement between people. The process of creating family policies is a golden opportunity to strengthen and align family relationships. This may seem daunting if the family is fragmented, or if quiet (or not so quiet) conflict is brewing beneath the surface, but it is precisely at these times that the family must have the courage and the willingness to hold a mirror to itself and see its own reflection. Enter the concept of "the learning family." Helping a family learn to align and build relationships with one another is an essential part of growing a family's capacity to effectively implement their shared plans. All learning starts with awareness, hence the place to begin is increasing the family's awareness about their family system.

Families are complex systems. When families struggle with conflict and change, the issues typically are not complicated – they are most often complex. Despite the tendency to treat the words complicated and complex as synonyms, modern system theory makes a meaningful distinction between them that is significant when applied to family governance. Complicated systems are difficult, but the components can be separated and dealt with by applying rules, formulas, and step-by-step linear thinking – like building a machine. Complex systems like families, on the other hand, require more innovative responses.

They involve too many unknowns and too many complicated factors to reduce to rules and processes. They require iterative, non-linear thinking from within their system. Applying solutions that are suitable in dealing with complicated situations does not work in managing complex issues sustainably. As demonstrated with the Lawrence family, adopting policies, rules, and best practices from others didn't work, and over time, this approach led to family frustration. Often the most productive thing to do at such a time

is pause, put the policy work aside, and refocus the family to work explicitly on relationships instead - invite family members to become curious about their family as a system. The best way to start may be with a simple question: "How do you want to be together as a family?" Such a question puts family culture out in front and invites family members to step back and give thought to their aspirations for their relationships with one another. Family relationships are constantly in a state of flux. Recognizing when something stops working in the relationships and creating an opportunity to explicitly renegotiate a new way to move forward together is the key to evolving. This helps relationships continue to adapt and grow in response to change and challenge, which is inevitable over time.

Creating awareness of families as systems also leads us to understand the importance of each individual in the system. Honoring the well-being of each family member requires that they live their values and get their needs met individually to be able to positively contribute to the family. Following this train of thought, developing the "learning family" requires an individual and collective approach. Individual, to create self-awareness and build skills for engaging with the family productively, and at the same time collective, to increase the family's skill and resources for collaboration and shared growth.

This approach puts family relationships and the well-being of family members at the center of family governance. It generates a family culture where members feel safe and voices are heard. A relationship focus supports the flourishing of family and ultimately is the key to lifting capacity for wealth continuity.

Aileen is a consultant with The Family Business Consulting Group specializing in continuity planning for family businesses and thoughtful transfer of intergenerational wealth

www.thefbcg.com

THE FAMILY, THE FAMILY OFFICE AND THE FAMILY RESPONSIBILITY

By Dr. Ariel Sergio Goekmen, LL.M. Member of the Executive Board
Schroder & Co Bank Zurich and Geneva

From a libertarian viewpoint, all families seek to ensure that their children grow up to become independent, self-reliant, socially productive members of society. In advisory discussions, our family clients and their family offices tell us that they are concerned by a number of issues in this regard and unsure how to resolve them. Below, we outline some of the concerns we frequently address in discussion with our family clients and family offices.

Uncertainty about the future makes it very difficult for parents to decide whether their children should be influenced to be educated to become engineers, lawyers, medical doctors or senior executive directors, or whether they should venture into the creative arts. It is a conundrum for many families and their family offices to define at what age children or young adults should be initiated into the secret of how wealthy they are.

Deciding on the appropriate age to impart this knowledge, and later even making all or part of the wealth accessible, is problematic, because this rite of passage also imposes a burden of responsibility on the recipient. Plato and Aristotle both were critical of wealthy people, and in my view they concluded that for wealth to exist, it must also be used. Wealth from a libertarian viewpoint must be invested in enterprise to bear fruit and eventually create jobs; its purpose is broader than satisfying the consumption needs of the next generation. How to go about this?

Many families have reservations about informing their

children about their wealth prematurely; they worry that doing so could nurture the growth of wrong values and undermine their children's character. The children might realize that they will never need to earn a living when they are adults, and this could erode their incentive to finish their education or induce them to study without achieving good results. A lack of motivation could turn them into idle 'trust zombies', who live in the hope of receiving their inheritance and simply live off the fruits of previous generations' labour.

So how is this conundrum resolved? How can families ensure that the next generation becomes as diligent and socially productive as the previous one, thereby increasing wealth instead of dissipating it? In our conversations with wealthy families and their family offices, we often find that the following actions and measures, organized by the family office or the family's advisors, may help set family offspring on the right course.

Lead the children early by example

If the parents spend their money extravagantly and live a life of conspicuous luxury, it is highly likely that their children will be accustomed to this lifestyle and remain habituated to it later on in their lives, even without a penny of self-earned income. It is therefore difficult, if not impossible, for such children to imagine a future that is frugal, where they have to work hard, if the previous generation has not led them by example. It may be hard for the senior generation to adopt this exemplary role, but it is essential that they assume this

responsibility in order to ensure that virtuous patterns of behaviour are passed on to the next generation. It is equally crucial that parents present these patterns of behaviour consistently from the beginning.

Live by the right values

Successful families often have family mottos that they live by, slightly different from the ones used by families with a heraldic title; for example, "Millers treat their customers fairly," "Millers invest and don't speculate," and "Brick and mortar are the best." This sounds rather pedestrian, but it can actually work like an algorithm that maintains family values over generations. For example, "We never sell real estate and never borrow money" can lay the foundation that secures the continued success of a family real estate portfolio for generations, as without debt, even a deep economic crisis can be survived, because no maturity dates loom.

Interestingly, these algorithmic statements do not only work for commercial strategies. They can also apply to a family's attitude towards life. For example, one family told their children: "You can become anything you like, but you must be the best in your field. If you become a musician, you must play at Carnegie Hall. If you become an architect, you must construct buildings that still impress people in a hundred years.

If you become a teacher, you must teach at Oxford or Cambridge." These pragmatic principles are about adding value to society at large and contributing as an individual and personally to the advancement of society or the community in a measurable way. Here, I refrain from using the clichéd expression "giving something back to society," because critical minds may ask whether something was taken from society without the right to do so before.

Let the children practice often

For every age group, there is an opportunity to help the child understand something about the responsibilities

tied to wealth. Some family offices that we know organize days where the youngsters come together and have to select a charity project that they will personally contribute to. This ranges from cleaning the city park to helping the elderly or handicapped for a day. It can also be something cultural, like performing a concert in a park frequented by elderly people or children and doing this to a demanding standard, thereby bringing joy to many others.

Later, especially when the family has a charity, adolescents are invited to rate and choose projects which should be funded. They become project leaders at an early stage. They learn how to spend money prudently by investing, at the same time contributing to a good cause. This trains them to assess actions and outcomes, which is an essential decision-making skill for entrepreneurial success in their later lives.

Lastly, family members are often brought together after leaving university by the family office or advisors for a day or week to be educated in crucial financial and managerial fields. These courses cover a range of topics: How does the stock market work? How does our firm or a bank earn money, and what are the drivers? What do other families do, and what makes them successful? This training can be accompanied by a banking training, an internship, or a strategic social training where young people learn to build professional networks with peers who share similar attitudes and values.

In conclusion, a great deal can be done from an early age to ensure that the offspring of rich families acquire the right family values and can calibrate their compass for the future in order to map out their careers as successful, independent, self-reliant and socially and pecuniary productive members of society. Successful family offices and their advisors, such as banks, support them in doing so from an early stage onwards.

Schroder & Co Bank Zurich and Geneva
www.schroders.ch

BIG DATA, BIG DATA, BIG DATA...SO WHAT?

By James J. Beddows III

The term “Big Data” has become obfuscated, over-used and misunderstood as marketeers over the years have reinterpreted its meaning in their attempts to sell its benefits.

In a similar vein the coining of “Smart Cities” hailed as the apogee of applied tech sold by large corporations presents a challenge to framing the concept in our minds. So, how can we understand Big Data in 2019 in a way that we can apply it meaningfully and profitably to our businesses?

There are many data startups emerging with data tools and data visualizations, alongside large corporations that offer suites of such tools, databases and platforms. These can be helpful if you are a dedicated data scientist or analyst. For them, they are akin to specialized tools like a hammer for a carpenter. However, before the carpenter can make use of those tools to build the house, the informed vision of an architect and the managerial oversight of a general contractor are recommended. Similarly, data scientists need an objective and master plan from which to apply their data science skills, just as the architect envisions a house.

Strange then that at the C-Level, the Forbes Global 2000 ranked corporations are asking for the “house.” What does the house represent for these senior executives? They want to know what their next new business move should be. They are manufacturers, who now want to be service providers. An in turn they are service providers, anxious to be managed-service providers, but do they truly understand their objectives and how to reach them effectively and with surety?

What is driving the accelerating corporate angst? It seems to be their growing innovation gap. Their inability to keep up with the exponential rate of change across science, technology, engineering and maths. This so called STEM



James J. Beddows III

Co-founder of TDP Data Systems

focus, leads them to fall behind the rate of market innovation. While STEM is moving forward at an exponential rate, most corporations can only progress at a linear rate at best. An example of this is presented by large industrial manufacturers who are now struggling to catch up with the business implications of the explosion of the internet of things (“IOT”).

Another trend we are witnessing is from hardware manufacturers, such as telecom equipment manufacturers. Here, the router hardware is being overtaken by software - software defined networks (“SDN”) and network feature virtualization (“NFV”). The net effect now projected is that within the next ten years 75% of the companies listed on the Fortune 500 will be new entrants foretelling a major and growing innovation gap.

So, the “house” for each of these ‘Global 2000’ corporate players must be to build the vision for

their next business. Data can define and support the architectural design of these new businesses in very specific ways. It can help the decision maker overcome what we call confirmation bias by listening to what the data says instead of relying on personal experience and heuristics.

It allows decision makers to scan horizontally across a vast amount of statistical data for hidden opportunities, providing insight that would otherwise be humanly impossible. It offers a dramatic increase in scope of vision: think discovery of the telescope instantly revealing a Galileo’s dream of celestial bodies! More recently, the Hubble telescope revealed previously unimagined new phenomenon in the universe.

As an executive at a large European pharmaceutical company recently said: “We are looking for the emerging technologies from other industry verticals that Gartner Research has not yet written about for application in our own industry”. Companies seek both their “known unknowns” and the “unknown unknowns.”

This paves the way for the generation of new investment opportunities that cut across the siloed decision makers and sequestered knowledge managers. In short, it will permit a new wave of investment arbitrage.

Thus, big data applied to the right questions can be an incredible enabler for change and point to potential returns on investment. This technology is available and being used by progressive companies today. A case in point is a Japanese global 2000 manufacturer who took the concept for the application of artificial intelligence (“AI”) to industrial equipment such as motors, to vetting over a million startups, shortlisting

twenty, then flying to Europe to start a Proof of Feasibility (“PoF”) test.

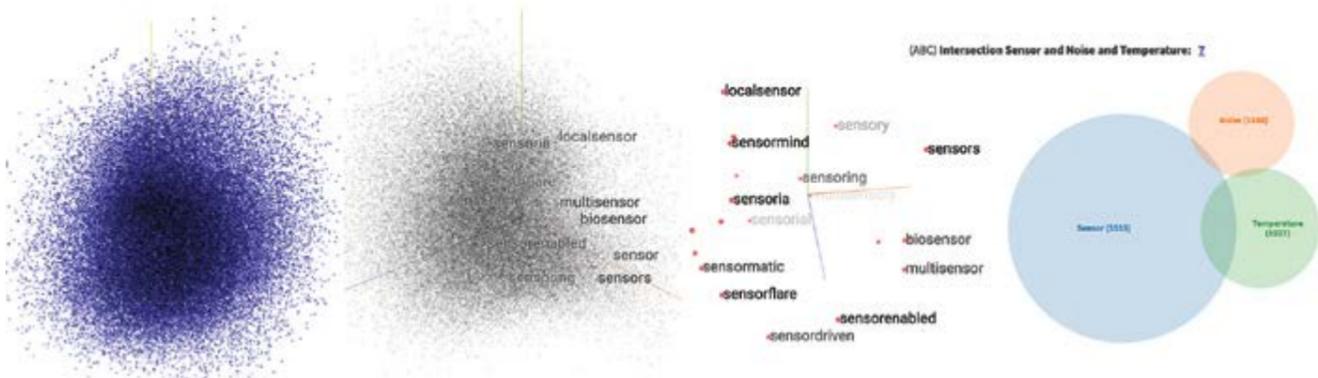
What was remarkable was that this was all done within an extremely compressed period of eight weeks, enabled by the appropriate application of big data through a specific, data-driven process. It may have been a record in terms of time for required decision making by a large Japanese corporation and moreover it was supported by the confidence of having real time statistics.

The process itself combined the best of computer intelligence with the best of human intelligence. For instance, computers, AI, and machine learning (“ML”) are great at crunching vast amounts of data in a flash of time, but these technologies lack human intuition. On the other hand, people generally have a hard time memorizing a number string longer than their phone numbers so combining computer and human intelligence provides advanced-human decision making. This was how the Japanese manufacturer was able to go from initial ideation to PoF in eight weeks.

How does this growing response to use of data by Global 2000 corporations apply to family offices?

First, corporations are increasingly understanding that they need to innovate more and innovate faster. This means they must continually generate new ideas for potential commercialization and do so rapidly. They then have to test these ideas by conducting PoF and Proof of Concept (“PoC”) in equally timely fashion.

But this generates issues for corporations, such as having to go through a lengthy budgeting and approval process to fund these tests with the growing need to collaborate with cash-strapped startups and university researchers.



Enhanced human decision making across billions of startup data points in real time to reveal hidden, actionable insights

This creates a timing issue whereby a corporation may have to wait for a funding cycle to start a test, while the market is quickly moving on.

This issue for corporations is a rapidly growing investment opportunity for family offices who can make decisions faster and have ready cash to invest in exciting statistically sound ventures.

Second, there is philanthropic trend for corporations to leverage their investments for both commercial and social gain for double-line impact. This is also in line with foundations and NPOs seeking opportunities for impact investing to benefit both their endowment and their social mission.

The difficulty is truly in connecting the dots quickly across public and private entities, to find the hidden opportunities. This can be seen in both in the UN's 17 Sustainability Goals (e.g. To ensure healthy lives and reduce mortality rate attributed to household and ambient air pollution), to the U.S. Federal Government's medical research from the National Institute of Health stating that poor sleep is a contributing factor in the onset of dementia and Alzheimer's disease.

Here, the world's largest air-conditioning company can then be paired with startups from around the world to address the underlying root causes of poor sleep such as harsh lighting, noise pollution, or outside air pollution. Again, combining computer and human intelligence to provide advanced-human decision making directly addresses this challenge. Hereby

lies the second opportunity for family offices; impact investing that leaves a legacy for social good.

The number of socio-economic pain points is accelerating. At the same time, data-driven processes and enhanced human decision-making provide the means to exponentially increase the number of potential solutions to these pain points. To help close the innovation gap is to help close the pain-point gap.

How is this enhanced decision-making being enabled? One data company, TDP Data Systems, has been funded by Global 2000 ranked corporations since 2016 and has helped them to close their growing innovation gaps through enhanced decision making and is now extending it to other public-private channels. This process has generated over seven thousand potential innovation solutions to date and is enabling them to put theory into practice.

Family offices looking for investments where highly tuned data insights can provide them the decision making support they need to make those investments quickly and at the same time have the comfort of a positive socio-economic impact could benefit from looking into the work that TDP is currently conducting.

Mr. Beddows is the co-founder of TDP Data Systems (www.decisionplatform.io) which draws upon his thirty years of experience as a Fortune 50 entrepreneur and as an entrepreneur having helped launch over US\$3B in new products and services around the world across a wide range of industry verticals. He is based in Palo Alto, California in Silicon Valley.

When people and time count the most.

Your Jet - Our Job - Since 1958



Transparency Worldwide Reliability
Acquisitions **Discretion Aircraft Trust**
Safety Professional Efficiency Management
Sales Care Maintenance Knowledge

Aircraft Management

Aircraft Sales

Aircraft Operations

Aircraft Maintenance

Further details:

Andreas Strabel · Manager Sales & Marketing · +49 911 93 56-121 · andreas.strabel@aero-dienst.de · www.aero-dienst.de

HOW CAN WE FIX THE BROKEN GOVERNANCE MODEL IN FAMILY BUSINESSES?

Most, if not all, family businesses have a governance document or Family Constitution in place to aid the business and operations.

These meticulously compiled documents contain all of the policies and procedures for the operations of the business and decision making processes for the owners. Often, these documents will have a section dedicated to the values of the family and the business values. There will be powerful words in this document that will stand out, such as integrity, transparency, and respect.

Surprisingly, the family members will still communicate awkwardly with a slight politeness towards each other. They tiptoe around each other as if they are walking on eggshells. This totally contradicts their governance document or Family Constitution that so blatantly boasts their values.

Does this sound familiar to you? Have I just described a family you know, or perhaps your own family? Why do so many families believe their current governance or constitutions documents will deal with the challenges families face on a daily basis?

I believe we all want to feel safe. We want to feel safe in our environments, with our relationships and with our wealth. On an emotional level, families believe that if they have a governance document in place, this will provide the safety the family seeks.

We all deserve to feel safe, as feeling safe enables us to be the best version of ourselves. We're able to positively maximize multiple aspects of our lives with efficiency. This includes our behaviour, decisions, leadership, and ultimately our governance.

When digging deeper into individual behavioural risk, it can be so easy to undermine both the Human and Social Capital components of Family Wealth.



Francesco Lombardo
Veritage Family Office

Unfortunately, this can be done so severely that the greatest area of weakness is exposed in regards to the unmanaged risk in a family office or business system. To simplify this, when you choose to ignore your own Human and Social Capital, you're actually placing your Financial Capital at great risk.

I strongly believe that most attempts at good and fair governance within wealthy family businesses is most often disguised and applied defensively as a strategy for avoiding the real issues these family businesses often face. This unfavourable behaviour is followed by a lack of accountability for the family members. As a result, family members do not feel emotionally and psychologically safe with each other. Sometimes the poor behaviour and lack of accountability is portrayed by the current leader or head of the family. Sometimes the poor behaviour is exhibited by the younger members of the family enterprise. Either way, they both represent a great risk to the long-term health and viability of the family business enterprise. More commonly, the

members of the family business enterprise, along with their crew of financial advisors, most often tend to focus on tangible assets. This means they will likely settle for what is considered acceptable as defined by a successful transition of the assets in a tax-efficient manner. As unbelievable as it sounds, some families actually manage to achieve this tabletop process; however, the family is in disarray, and its members aren't in much better shape. This is because they all have differing opinions and values and are sometimes not willing to communicate with one another.

It's no secret that most financial advisors blatantly avoid having the necessary, often difficult conversations with the family members of their family business clients. Why, though? Upon leading workshops and facilitation sessions with globally seasoned financial advisors worldwide, I always come to the same conclusion. The reason why many financial advisors don't address the Great White Elephants (aka the unspoken issues) within these families is honestly quite simple. One word: safety. These financial advisors might have a strong relationship and great rapport with their clients and the families they serve; however, at some level they don't actually feel sufficiently emotionally and/or psychologically safe. Simply put, they don't feel safe enough to speak up and ask the awkward questions.

As my mentor, Dov Baron, says, "Relationships would be great if it wasn't for the humans in them." As strange as this quote sounds, I strongly agree with this, as we are complex human beings that have unique and dynamic needs. This is also exactly why I serve families and assist in creating Safe Space™ for them. It's all about cultivating a space that they feel safe to open up with their family members and have those difficult conversations without negative repercussions. If you've been nodding your head as you read this, perhaps it's time to start the conversation and experience Safe Space™ first hand.

www.veritage.ca

PHILANTHROPIC CAUSES

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

HIGHER GROUND THE PATH TO ALIGNED FAMILY VALUES

by Charlotte Filsell, Sandaire Multi Family Office

"Once you have agreed, aligned and instilled a set of family values, remember that families change and grow, sometimes in unexpected ways, and that aligning family values is an ongoing effort."

Values are often considered the building blocks of a sustainable family and, indeed, a family's identity. Many wealthy families and their businesses proudly proclaim what they stand for, but what holds these together, and how do these values endure successive generations? Like any leader, the head of a family has a myriad of complexities and differences to consider; competing interests, multiple generations, distance, culture, ambition all add to what is already a demanding role.

Any bricklayer will tell you that building blocks are only half of the required materials for a stable wall. Without mortar, blocks lack what is needed to bind them, and when subjected to pressure, a building may collapse. Family values, if unaligned, are destined for the same fate. Built correctly, anticipating what the world may throw at it, and maintaining it over time, a building may last for centuries. Alignment is the binding force that enables a family's values to endure.

So how are aligned family values achieved? As with anything in life, there are many answers, and not all will work for everyone, but ask enough people, and you will see themes and trends emerge.

Start young

Children have a marvelous capacity to learn and absorb, thanks to their innate powers of observation. Moreover, the younger they are, the easier it is to build your values into their world view. Incorporating values into as many facets of everyday life is key to this. In so doing, the next generation can live the values shared with them, rather than merely adhering to them.

Parents have a pivotal role to play in beginning this education early on, and preparing sooner rather than later will set your children up for success, rather than stress. An effective method for parents and mentors is to create learning opportunities where possible. If a family stands for community and conservation, the younger generation should be shown the effects of the family's support, not just the means and decisions



Charlotte Filsell

Head of Client Relationship Management

taken. After all, giving to charity and seeing charity at work are very different things. And keep in mind the old adage: 'Never give your children your valuables until you've given them your values.'

Be inclusive and genuine

If family values are to endure, they must be the domain of the whole family. Inclusion and involvement are key to promoting engagement, and it must be genuine for it to work. Taking some time to explain the family's history to each family member and how it has evolved over time will create an inclusive environment. By bringing them into the story and making them feel a part of the journey, they'll develop a deeper understanding and appreciation for the story. Play to the strengths of each member of the family. As stated previously, start young, and where possible, encourage participation between multiple generations. And above all, ensure you lead "from the front" and live those values yourself.

Keep it simple

It's important to remember that every family is its own unique ecosystem, with its own set of challenges, priorities and dynamics. A family may stand for many things, but at some point, it must decide what these values are and make them easy to communicate. It must also try not to spread itself too thinly (aligning

50 people with 20 values is no easy task) and where possible ensure that these values are distinct from each other, even if there is a relationship between them. For example, generosity, philanthropy and charity. Ensuring that values are distinct and clearly defined within the family will ultimately help determine the narrative with the outside world.

Be transparent and consistent

Writing down your values can help keep things clear – give thought to creating a family charter and documenting your values there – and obtain acceptance from the various family members so that you have a point of reference when discussing family matters in the future. Having these documented in one place will help eradicate all ambiguity from proceedings as you move forward.

Listen

Remember that communication works best when it flows both ways. Allowing members of the family to make the values their own and contribute in their own way is essential. It will both allow members of every generation to feel heard and understood, and it also encourages a more informed charter of values. Where multiple generations are involved, remember

that values mean different things to different people, particularly Millennials. Next generation investors may have differing values from their parents or grandparents. To one person, charity may mean donating a sum of money to a local cause, whereas to another, charity is the giving of one's time and effort. While both may be equally valid, try to encourage such things in a way that plays to each individual.

Evolve

Once you have agreed, aligned and instilled a set of family values, remember that families change and grow, sometimes in unexpected ways, and that aligning family values is an ongoing effort. As a leader, aim to evolve with it and embrace change as a positive force. It's important to lead by example and demonstrate flexibility, so that other family members are well-placed to also move with the changes. Human beings have a remarkable ability to adapt to their surroundings. If we change, our values must adapt to the new set of circumstances.

All too often in life, it is easy to confuse the accomplishment of something with its end. It is important to remember that aligning family values should be a never-ending journey.

@Mininginvmt Mining Investment Conferences & Exhibitions Mining Investment Events Mining Investment Conference

3RD ANNUAL MINING INVESTMENT NORTH AMERICA

11 - 12 June 2020 | Toronto, Canada



Take Advantage of our
Special Offer to Attend
and Sponsor Today!

Contact Jarred at +65 8753 4948 |
jarred.lau@spire-events.com

Organised by



mininginvestmentnorthamerica.com

THEN AND NOW: HOLDUN FAMILY OFFICE

Back in the 1970s, investment businesses had little or no information on most companies. If investors wanted to learn about whatever was going on in the world of business, they had to search very high and very low, unlike today, where information is readily available anywhere and everywhere you go, without trying very hard.

So, looking back at the 1970s, what channels were available then? Well, there were annual reports and perhaps a few brokerage reports. The brokerage reports were certainly not objective, but they were intended to generate brokerage business.

In that regard, the business has not changed that much even today, although, thanks to the Internet and readily available information, competition has greatly intensified. In the '70s, to gain an informational edge, investment managers had to do their homework, visiting companies, talking to competitors, visiting libraries, really anything that would provide some information not widely known, if at all, by other managers.

Indeed, in the 1970s, Warren Buffett used to visit government agencies, scouring files and reports to understand what companies owned and owed. That was how little information was publicly available. To add insult to injury, commissions were fixed like an old boys' club, very much still in existence today.

As financial institutions grew larger and more professional, they started to take on the old boys' club, first eliminating fixed commissions and gradually building in-house research teams. In addition to Wall Street research, independent research boutiques began to emerge. Institutions that had previously farmed out their money management slowly began to build their management teams and repatriate a good portion of their assets.

What caused all this to change? Money, and lots of it, from banks, insurance companies, brokerage



Brendan Dunn
CEO Holdun Family Office

firms, independent asset managers, government agencies, and Sovereign Wealth Funds. There was plenty to go around and finance the growth of readily available information because, after all, that is what competition is all about, having an informational advantage. In terms of publicly available information, it has been quite a learning curve since the 1970s. Then, there was little publicly available information. Now, we are swamped by it, and all at the click of a button. With very little effort, one can access all the information needed on a company, industry, economy, or anything else. In fact, the information found is usually abundant and more than necessary, contrary to what investors used to experience in the past.

The digital age has transformed the money business where anything and everything is available on-demand, some by subscription, some free, and some exclusive to the highest bidder to gain an advantage. The money management business is no different. It is extraordinarily competitive, and the rewards are equally extraordinary for those who win by gathering the lion's share of assets. Look no further than the enormous marketing departments that surround the large money managers, trumpeting

their performance to attract more assets and those firms that stumble and see their assets shrink in a matter of months. With the advent of ETFs and index funds, the money management business is no longer controlled by the few. Today, individuals and institutions alike can set their own course independent of the past.

Money management has become democratized, where you and I can determine what we want to own, where we want to own it, and how much we are willing to pay for it. The business has been turned on its head in a matter of a few decades, and many more and better changes will appear in the future as young and eager entrepreneurs identify opportunities in the fintech space, potentially disrupting the incumbents.

Every industry, including banking, insurance, real estate, and many others, as well as money management, is ripe for disruption. And let's not forget the impact of Artificial Intelligence (AI). AI refers to the ability for computer science to be applied in ways that replace human intelligence.

What a playground the asset management business offers up. As an example, uncertainty is and has been one of the most significant challenges faced by investors and managers alike. Did you know this uncertainty can now be turned over to an algorithm encroaching further and further into the once exclusive domain of human analysts? The ability to trade risk and reward at the flip of a switch will revolutionize asset management as we know it today. Is this truly happening in 2019?

The transformation we have witnessed over the past 50 years will be dwarfed by what transpires over the next 50 years. Look no further than the vast amount of money that has been raised by fintech and AI companies already, and, in a few years, the results will become apparent. Yes, there will be many failures, but failure builds on itself, and new paradigms will emerge. After all, there is money to be made by those who succeed.

More than ever, one must learn to adapt to a rapidly changing environment or, perhaps, risk becoming redundant and irrelevant. Based in the Bahamas, Brendan Holt Dunn is the CEO of Holdun Family Office, an international, independent, Multi-Family Office helping families like they do their own, building wealth and security for generations. He is also the Founder of the Holt FinTech Accelerator, based in Montreal, Canada, and he is a board member of the Canadian Lyford Cay Foundation, in the Bahamas.

www.holdun.com

A vertical promotional banner for Amnesty International. The top section is yellow with the text 'REAL LIFE STORIES OF STRUGGLE AND COURAGE FROM AROUND THE WORLD' in bold black letters. Below this is the Amnesty International logo. The middle section features a close-up of a person's face with the text 'THIS IS OMAR, A TEENAGE REFUGEE FROM SOMALIA. A LIFE ON HOLD IS A NEW FILM ABOUT OMAR'S LIFE IN A REFUGEE CAMP IN TUNISIA. WATCH AT AMNESTY.ORG/REFUGEES'. The bottom section shows a river scene with the text 'CHILDREN OF THE JAGUAR AN INDIGENOUS COMMUNITY IN THE AMAZON JUNGLE TAKE ON THE COMBINED MIGHT OF THE GOVERNMENT AND AN OIL COMPANY IN ORDER TO SAVE THEIR WAY OF LIFE AND THE RAINFOREST THEY LIVE IN. WATCH AT BIT.LY/JAGUAR-TRAILER'. At the very bottom, it says 'Find out more: avproduction@amnesty.org'.



LEVERAGING COMPLEX ASSETS TO ACHIEVE PHILANTHROPIC VISION

By Eileen Heisman, CEO of National Philanthropic Trust

Donating complex assets for charitable purposes is an increasing trend. It is one that financial advisers and charities alike expect to see continue as the Baby Boomer generation retires from the workforce and executes wealth transfer plans.

Using a Donor-Advised Fund to Give Complex Assets

Financial and tax advisers regularly encourage their high-net-worth clients to look beyond cash when it comes to charitable giving. One donor took this advice to heart—her gaze landing on her stunning, 1930s Picasso oil painting.

Donating the painting to a single institution, such as an art museum, would have been fairly simple, but the donor wished to support multiple causes, including women's health and animal protection. Her solution came in the form of a donor-advised fund (DAF) with National Philanthropic Trust (NPT). NPT handled the eight-figure sale of the painting, and within a few months, the donor began making grant recommendations from her DAF to her favorite charities.

For family offices, complex assets such as art, real estate, and shares of a family or closely held business are among the most advantageous to transfer to charity for both philanthropic impact and tax benefits. While many charities don't have the ability to accept or liquidate these gifts, a charity that sponsors DAFs can help. DAF sponsors often have the expertise to convert complex assets—from cryptocurrency to closely held stock—into philanthropic capital.

Primer on donor-advised funds

DAFs are administered by a charitable sponsor, such as a community foundation, educational institution, or national public charity. When choosing a DAF, it's important for family offices to consider the charitable sponsor's grantmaking rules, investment options, and

fees. It's also important to determine if a DAF sponsor can offer tax benefits that meet a client's unique needs. For instance, NPT is a U.S. public charity and can provide a charitable income tax deduction to U.S. taxpayers. For family offices filing taxes in both the U.S. and U.K., our affiliate charity, NPT Transatlantic, is a U.S.-U.K. dual qualified charity and recognised for tax purposes in both countries simultaneously. NPT-UK supports donors who wish to make charitable gifts and file taxes in the U.K.

Once a donor has selected a charitable sponsor, a DAF can be established in a matter of minutes, simply by submitting an application. There are generally no start-up costs other than the family's initial contribution, which can be as little as \$5,000 to \$25,000, depending on the DAF sponsor's policies. All contributions to DAFs are irrevocable and receive an immediate tax deduction of up to 60% of adjusted gross income for gifts of cash and 30% for gifts of stock or real property. This compares with a deduction of up to 30% of AGI for gifts of cash to a charitable private foundation, and 20% for securities.

Family offices can appoint multiple family members to serve as advisers or successor advisers. They can recommend how to invest and grant the funds. There is no mandatory payout rate, but most donors grant out far more than the 5% required of charitable private foundations. Similar to charitable private foundations, DAFs are created under a name chosen by the donor, such as the Taylor Family Foundation or the Taylor Giving Fund. Family members, however, can choose to be anonymous or include only the DAF name when recommending grants.

Donating complex assets

When choosing how to fund a DAF, family offices can consider the full range of assets they hold when they determine what to gift. In recent years, giving unusual

or complex assets like collectibles, mineral rights, and privately held business interests to charity has been an increasing trend. Donating such assets to a public charity can eliminate capital gains taxes, while also giving the donor an income tax deduction for the full fair market value of the asset.

Such gifts are complex transactions, and not every DAF sponsor charity has staff members with expertise in reviewing, approving, and liquidating these gifts. Some charities may advise family offices to sell the asset and contribute the proceeds, but the donor would incur capital gains taxes and reduce the amount available to give. For instance, a company founder might sell a business interest with a cost basis as low as zero, resulting in a large tax consequence.

For many family offices, a DAF sponsor offers an efficient alternative. DAF donors have access to the DAF sponsor's professional staff, who handle the liquidation of assets, record keeping, and other administrative tasks. With one complex asset donation to a DAF, the donor can support multiple charities.

While charitable private foundations may offer similar one-stop shopping advantages, family offices may find that they have to hire experts to oversee the sale of the asset, including finding a buyer, liquidating the holdings and handling the review of documents and IRS reporting. It can also be less tax advantageous to donate complex assets to a foundation. For instance, gifts of non-public stock and real property are valued at cost basis when donated to a charitable private foundation, whereas DAF donors can generally deduct the full fair market value of such gifts.

Donations of tangible property like the Picasso painting are an exception, as these gifts are subjected to something called the "related-use rule." Under this rule, if a gift of personal property is related to the tax-exempt purposes of the charity—a sculpture donated to the Metropolitan Museum of Art, for instance—the donor may take a deduction for the fair market value of the property. If the charitable recipient does not plan to use the property for a related purpose but sell it immediately, the donor can deduct only its cost basis,

and not its fair market value. In the case of the Picasso, the donor was not motivated by the tax deduction. Her desire was to give the most she could to multiple charitable causes.

Meeting the needs of family offices and high-net-worth individuals

Another challenge facing family offices is defining a charitable mission. For instance, the typical family office gave about \$5 million to charity last year, and more than half plan to increase their charitable giving this year, according to UBS's 2018 Global Family Office Report. Even so, only 38% have a clear strategy in place for their philanthropic efforts.

Here, too, DAF sponsors can often help. NPT, for instance, offers customized philanthropic services, including working with families to help them define their goals, research areas of need, identify nonprofit organisations, and measure outcomes. By engaging in such significant work around causes that matter to them, family members can share their values and strengthen ties across generations. Most important, they will ensure their legacy for generations to come.



Eileen Heisman is the CEO of National Philanthropic Trust, the largest national, independent sponsor of donor-advised funds in the US.

She is a member of the Board of Trustees of affiliate organization NPTUK, based in the UK. For more than 30 years, Heisman has helped clients achieve their personal philanthropic visions. She is the author of the annual DAF Report. More resources at NPTUK.org and NPTTrust.org.

MADOFF WHISTLE BLOWER BELIEVES NEED EXISTS FOR TRUST BENEFICIARY ADVOCACY

A few months ago, a beneficiary of family trusts, both onshore and offshore, sought the advice of Madoff whistleblower Frank Casey, a 45-year finance veteran who chased Madoff's Ponzi scheme with partner Harry Markopolos. She and her husband stated that they had been fighting a Trust Grantor, her father, for six years because their investigation uncovered \$400 million in trustee frauds over 25 years. And these frauds and their resulting law suits keep growing! She has massive evidence encompassing thousands of documents. How does she get anyone to understand? How does she get justice? she asks.

Why appeal to Frank? Frank Casey is a former U.S. Airborne Ranger Infantry Captain with expertise in Corporate Risk Management and Due Diligence, Alternative Investments-Hedge Funds, Private Equity, and Disruptive Innovation Business Development.

Casey's started covert investigative work in 1972 as Battalion Intelligence Officer. Division headquarters wanted to address the rampant drug abuse problem. Taking initiative, he spent 18 months in his top-secret war room building his counter-drug intelligence operation to secure the conviction of the largest drug dealer, a sergeant no one would have suspected. Late 1999, Casey again used his covert investigative skills chasing Bernard Madoff.

Casey and Markopolos were option experts and managers. They knew that returns reported by investment manager and broker Madoff were fraudulent because they had no correlation to daily market moves. They set about documenting a case against Madoff using math and mosaic intelligence. They warned the U.S. Securities and Exchange Commission about Madoff repeatedly over an 8.5-year period. Submission after submission fell on deaf ears, with 29 Red Flags ignored. Through the SEC's complacency Madoff's Ponzi Scheme was allowed to grow ten-fold, to over \$50 billion. Despite these many setbacks, the group persisted, not only because it was wrong but



FRANK CASEY
WHISTLEBLOWER

because it went against their ex-military officers' creed of "Duty, Honour and Country."

Had the SEC been paying attention to Casey and the team, investors would not have suffered billions of dollars in losses. Regulators at the SEC, who were mostly attorneys, could never grasp the fraud. Madoff succeeded not only because of the SEC, but also because a number of banks and feeder-funds were willfully blind as they were making money from his business. "Madoff's Ponzi grew exponentially because of a lack of transparency and third-party verification. Stakeholders may avoid manager complacency, incompetence or complicity via proper oversight," Casey said.

After a select review of her trust fund documents, Casey immediately saw similarities between Ponzi Asset Fraud, such as the \$50-billion Bernard Madoff Ponzi Scheme, and Ponzi Debt Fraud perpetuated by the victim's lawless trustees. Trustees were putting

phony debt instruments into her trusts and drawing down asset value via interest rate payments; sometimes mortgages were taken on outside properties, with security pledged by her trusts without her knowledge or approval. "Ponzi Schemes robbing assets, and Ponzi Debt creating phony liabilities, are all part of Ponzi Finance. And most potential victims can actually do something about it themselves," Casey said.

All Ponzi structures are based on affinity frauds, belief systems lulling victims into complacency required by fraudsters. Social, ethnic, religious, institutional, political and family affinities portend trust used by perpetrators. Often, third-party participants such as investment administrators and custodians are facilitators who are willfully blind to the fraudulent process and thus complicit in the crime.

This family office victim has spent \$6-million in legal fees across a dozen law firms adjudicating claims of trustee fraud in six jurisdictions, both offshore and onshore. The daughter claims that crime continues to be perpetrated by her own father, a grantor of the trusts, who is stealing assets via complicit trustees working for trust companies secretly owned and or controlled by her father. The easiest way to steal from a trust is to own or control a trust company. Probably a unique criminal situation, but one that could not happen if proper third-party oversight and enforcement disciplines were in place. "This victim is a lawyer herself, and her husband is an experienced business entrepreneur. If they can fall to fraud, most beneficiaries cannot stand on their own," Casey said.

Three of the four legs of finance -- banking, investment management and insurance -- are heavily regulated and have developed high levels of compliance, but trusts seem to vary widely by domicile. "Maybe too small of a domicile and judges/enforcement, estate and trust lawyers, trust companies and their owners/trustees, and asset managers may be too friendly. Would that allow complacency, self-dealing, willful blindness and complicity?" asks Casey.

One U.S.-based trust beneficiary, an attorney, manages the affairs of their family's trusts. For decades, this lawyer was an active member of a private club of

several hundred high net worth families bonded by peer issues of family office management. He states that US-based beneficiaries, of both domestic and highly regulated offshore domiciles, seem to be fighting perceived failures of trust company service, low return on investments, and frequent turnover of trust representatives, yet this group had no reported fraud cases.

His friend for many decades also has family trusts, and uses the same lawyer, but different offshore trust companies. This friend also states that low returns are his biggest problem. Many decades ago, his well-known international bank demanded that his trusts retain an offshore specialist law firm as beneficiary advocate to ensure zero conflict of interests. This was far-sighted compliance with third-party oversight; no incidents of conflict ever arose. But, many other less regulated domiciles may not offer such protections. Trust Advocacy will provide third-party due diligence, transparency and oversight to protect beneficiary rights and guide change as required.

Paula Moats, a trust beneficiary, has experienced these problems herself. "I became interested in asset management at 16 years of age when my sisters and I realized that our family trusts were poor performers," Moats said. "We are so locked up by our trust company that we cannot advocate for better returns under basic prudent man rules of investment." To satisfy her curiosity, she studied asset management disciplines. She developed a high net worth business with several large U.S. based investment banks. Decades later, Paula advises a select clientele of international family offices investing in off-market real estate transactions and early-stage disruptive innovation. She co-founded Casey Moats Consulting to facilitate business development. "Now we are researching how we might help change the trust landscape for the betterment of beneficiaries," Moats said.

Trust Review: Beneficiaries may wish to seek third-party advisors to review their trust engagements. After discovery, the advocate should deliver a 10- to 15-page report of findings and recommendations to the beneficiaries covering Trust Fund Structure and founding Letters of Wishes or Operating Agreement.

the results compliant with the Grantor's objectives and laws of the Trust's domicile? How can the Trust results be improved? Is fraud suspected? The beneficiaries would pay a negotiated fee to their advocate firm to perform front-end due diligence. Forensic accountants and specialist trust lawyers may need to be retained; if coordinating potential court actions, fees should be 50% or less than conventional open-ended legal sourcing. The beneficiary controls the process and selects the plaintiff lawyers etc. Should a hiccup arise, the beneficiary has a fungible, detailed plan of attack that they can move to another team.

Advocates may wish to develop standard due diligence regiments; Whistle Blower Casey's anagram T.I.P.S helps to detail both qualitative and quantitative due diligence metrics.

- "T" stands for third-party verifications. Separate functions generate paper trails providing checks and balances. Madoff was manager, broker, custodian, and administrator, a titular head who would control the crime; no in-house or outside verification was permitted! Trust Beneficiary Advocates would verify transparency and oversight of trust reports.

- "I" is for internal controls, or separate reporting functions buffered by "Chinese Walls" to prohibit conflicts of interests and possible fraudulent activities. Madoff had none, and Nick Leeson destroyed Barings Bank by being both account manager and trader. Sometimes trusts foster potential conflicts of interests, as third-party checks and balances may not be permitted. How are duties segregated? What reports are generated, and how often? Beneficiaries are often blind or cannot get problems resolved.

- "P" stands for pedigree. One can delegate authority but not responsibility! Here we will look at the trust company, its domicile, its representatives, trustees and their internal as well as external dealings with auditors and investment personnel. Do they have institutional grade reputations?

- "S" is for strategy. Do investments and

their returns make economic sense? Trust goals are preservation of assets, but also trustees must execute "Prudent Man Rule" fiduciary oversight. Is it prudent to invest at low to negative yields and lose value to inflation? Importantly, trust companies must justify their internal asset management acumen and convince beneficiaries that such is better than external asset management; they are obligated to deliver "best of breed" managers at competitive fees.

Due Diligence is both qualitative and quantitative, but not rocket science; it simply requires common sense and some math skill. In fact, the first three "T.I.P." factors are qualitative metrics that any investor can execute. "S" is both a qualitative and quantitative market savvy metric, and some may need advice.

Over six years of battling, this trust victim's family office has evolved proprietary "FACTT" Boards to control all aspects of its due diligence, discovery, lawsuits, exhibits and corroboration of testimony. They plan to launch an advisory business for other beneficiaries using FACTT, for Facts, Analysis, Corroborating Testimony and Tree-ware (paper trail). FACTT brings order to chaos. It is a multi-dimensional program evaluation and review technique (PERT) for beneficiaries navigating the complexity of criminal and civil complaints from discovery to adjudication.

Investment returns could be addressed through financial innovation. Casey works with AMPHI Research & Trading's CEO Mark Rzepczynski, past President-CIO at John W. Henry & Co., an iconic Commodity Trading Advisor. Mark says, "AMPHI has focused on using quantitative models for more disciplined systematic decision-making that can provide better transparency, risk management, and liquidity than found in traditional asset manager and hedge funds.

If investors know that trusts follow asset management rules with checklists, they will be able to feel more comfortable that their interests are protected. Major bank/consulting asset managers can be the trust's deep-pocketed counterparties with someone like AMPHI serving as sub-manager, or outsourced chief

investment officer, to deliver bespoke trust investment management returns with targeted volatility."

The Changing Landscape:

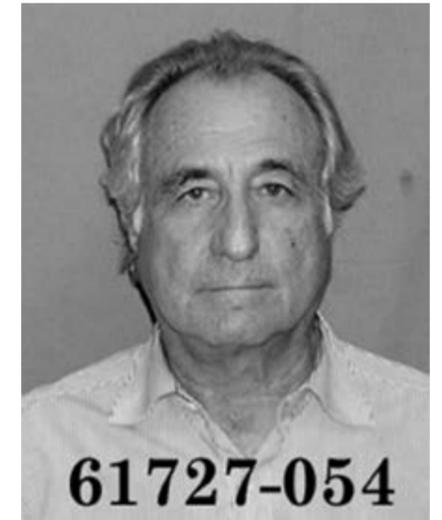
Our family office trust victim believes that offshore trust fund domiciles will be undergoing political pressures to reconfigure themselves due to government anti-money laundering (AML), anti-drug dealing and anti-terrorism Bank Secrecy Act enforcement etc. She says, "I believe that total trust assets rival pensions in size, and timing is good for the formation of advocacy organizations to protect beneficiary interests, bring independent accountability to the trust process, and leverage government and regulatory pressure for change in the trust industry."

Madoff was a financial success and innovator of the NASDAQ Exchange, serving as Chairman. He was beyond reproach. "The Emperor had no clothes" in option-based strategies, but no one would question his veracity. Investors, bankers and regulators had an affinity system of beliefs. Thus, no one would listen when a small band of whistleblowers having forensic and financial skills began shouting that the emperor was naked and a fraud!

Trust Patriarchs are usually close family members who have had great success. They wish to protect and preserve their assets for multiple generation of heirs/beneficiaries. Their selected trust companies and their trustees are seldom questioned. Beneficiaries believe that their trustees follow a "prudent man" regimen of asset and debt investment for their beneficial interest. They believe in this affinity system; thus, they can be taken advantage of by self-dealing fraudsters within these structures.

Third-party verification and whistleblowing on violations are relatively new phenomena. Trust Funds seem opaque and beneficiaries seem rather helpless; frauds may be happening. "Transparency and third-party verification will help all stakeholders," Casey said.

Feel free to contact Frank Casey, Managing Partner, Casey Moats Consulting, frank@caseymoats.com 1-617-777-2796 Boston MA USA.



In 2009 Bernie Madoff pleaded guilty to 11 felony counts securities fraud and was sentenced to 150 years in prison



Charles Ponzi, was an Italian businessman and con artist in the U.S. and Canada, in the early 1920s he promised clients a 50% profit within 45 days, or 100% profit within 90 days, In reality, Ponzi was paying early investors using the investments of later investors. This type of scheme is now known as a "Ponzi scheme". His scheme ran for over a year before it collapsed, costing his "investors" \$20 million.

AN ASSET CLASS FOR ALL SEASONS

by Sheryl Needham



Source: Cambridge Associates LLC

Middle-market direct lending has evolved significantly over the last 20 years, developing from a cottage industry into a distinct asset class with an increasingly mainstream strategic portfolio allocation. Growth in private credit generally, and direct lending specifically, has been fueled by strong capital demand from middle-market companies, growing use of leveraged loans for private equity buyouts, and an increased institutional appetite for the asset class' attractive investment characteristics — namely floating rate income streams, senior secured position in the capital stack, and relative lack of correlation to other assets.

Private credit is well-suited to investing across business cycles and particularly attractive in the later stages of a cycle.

That said, it is increasingly critical for investors to understand the differences among private credit strategies and current market players in order to achieve attractive returns.

Changes in the middle market Throughout most of the 20th Century, commercial banks were the primary lenders to small and medium-sized enterprises (SME), but the regional bank consolidation beginning in the 1990s and the 2008–2009 global financial crisis (GFC) reshaped credit broadly and direct lending specifically.

As regional banks consolidated to create national institutions, their management teams increasingly focused on cultivating larger corporate relationships. In the process, SMEs were crowded out of the bank financing

market and often forced to source credit elsewhere.

As banks retreated, non-bank financial intermediaries (NBFIs), funded by institutional investors (e.g., insurance companies, pension funds but increasingly also by institutionalized Family Offices), emerged to fill the void. Since the late 1990s, NBFIs have increased their lending activities because of the potential attractiveness of the investment. In addition to interest income, direct lending may generate fees for sourcing, underwriting and structuring loans and generally provides downside protection in the form of lender-friendly structural features (e.g., covenants).

Opportunities across market cycles Direct lending may offer opportunities to generate income during both economic contractions and expansions. Certain strategies within private credit are better suited to periods of macroeconomic stress, such as distressed credit or special situations.

These strategies tend to be less active during periods of persistent economic growth and low interest rate environments.

Direct lending's attractiveness across business cycles derives from its structural flexibility and the ability of skilled direct lenders to underwrite tailored solutions that support borrowers in both good times (e.g. financing to fund growth-oriented capital expenditures) and bad times (e.g. financing to support the acquisition of a distressed competitor with good assets). Identifying relative value across a company's capital structure, leveraging fundamental diligence, and applying structuring acumen are key to generating compelling returns throughout corporate and macroeconomic lifecycles.

Navigating increasing competition...and a late cycle Direct lending has become an increasingly important part of the U.S. corporate lending landscape. An estimated 407 private credit funds are currently seeking to raise a collective USD \$182 billion, with more than 50% of this targeted at direct lending strategies.

There are also visible risks created by aggressive new lenders and a possible late-stage business cycle. Against this backdrop, experience in direct lending throughout business cycles, deep industry expertise, and a fundamental focus on credit risk management are essential.

We believe investors should be cautious of middle-market loan structures that resemble the borrower-friendly structures of the broadly syndicated loan (BSL) market: no covenants, virtually no amortization, and the ability of sponsors to extract dividends and transfer assets. What we also recognize, though, is that different parts of the capital structure have economic and fiduciary incentives that are not always aligned.

These observations are always front of mind when we evaluate the increase in PE transactions, perhaps now more than ever. This continued expansion has commanded continued growth in deal flow and, as many new direct lending managers have entered the market, greater competition for deals and wallet

share with PE sponsors. This competitive pressure has spawned a number of issues for direct lenders, perhaps the most worrisome of which is the continued increase in leverage levels for U.S. LBOs. Despite these trends, it is our view that there continues to be opportunity to generate strong risk-adjusted returns in direct lending. Through it all, the focus should remain on the underlying business and creating a structure that protects against the specific risks of the transaction. In addition to structural discipline at the individual investment level, risk management at the portfolio level, industry expertise, and a disciplined focus on industry diversification are essential.

As we have reviewed, a substantial amount of change and growth has taken place in private credit markets, and we expect those trends to continue for the foreseeable future. The basic attraction of the middle market, with its return premium, lender-friendly documentation, and low correlation with other fixed income segments, remain intact.

As we continue in a very long business cycle, having experience with workouts and navigating restructuring and recapitalization, both in and out of bankruptcy, is invaluable when the cycle does turn. Whereas some of the market increasingly accepts cov-lite transactions as the "new normal," robust financial covenants are necessary to weather a downturn.

Despite the challenging competitive environment, we remain firm in two basic convictions: First off, direct lending is an asset class that has historically generated attractive, risk-adjusted returns through a variety of business cycles and is one to which investors should have a meaningful allocation; and second, there continues to be an opportunity to generate alpha in direct lending.

For further information, please contact Sheryl Needham: Sheryl Needham, Managing Director, is the Head of BlackRock's Family Office business in EMEA, responsible for the firm's relationships with Family Offices and delivering solutions to meet their investment needs.

www.blackrock.com

BACK TO THE BASICS EQUITY DIVIDEND INCOME



By Alan Adelman and Tom Stringfellow

The need for an investment portfolio to generate current income to support the family lifestyle is relatively common, especially with a preference for that income to be tax-efficient. In an increasingly complex investment environment, it may be an opportune time for families to revisit a classic strategy — albeit with a more modern, risk-managed approach.

An equity income strategy can efficiently deliver a consistent source of income with some tax advantages over ordinary income. The strategy can also offer capital appreciation over time, which supports an original asset's spending power for current and future generations with a high degree of liquidity and transparency. It can work well in a family office asset allocation, complementing less-liquid assets like real estate, along with long-duration illiquid allocations to private equity.

As with many things in life, there can always be room for improvement, even with an archetypal strategy like equity income. Too many failed strategies have focused exclusively on yield or dividend growth. Others stretch for yield by buying less liquid ADRs, which can also be subject to withholding taxes. The result has been concentrated portfolios over-invested in traditional value industries like utilities and financials, while being grossly under-weighted

to growth industries like technology and health care, as well as additional layers of complexity from an accounting perspective.

Modern finance teaches us that diversification matters. Trading off some yield for a well-diversified portfolio, which is invested across industries and investment styles, can support the need for current income while providing a level of capital appreciation for future spending power of the portfolio principal. In the case of equity income, a little old-fashion fundamental research can pay dividends (pun intended).

The difference in tax treatment of qualified dividends relative to that of ordinary income can have a significant effect on an equity income strategy. Whereas ordinary dividends are taxed as ordinary income, dividends that are qualified are taxed at the lower capital gains rates. Including this parameter as a research variable can increase the spendable income generated by the strategy.

Other variables, like a company's track record generating free cash flow, are also worth researching, as is looking at the current market price relative to future earnings growth. The dividends themselves can be a good measure of corporate health. A company with consistent dividend growth typically

has some competitive advantage giving it cash flows to pay (and raise) dividends, even during difficult market environments. The focus on dividends exerts financial discipline, while providing transparency into the company's financial condition.

Additionally, dividends have proven to be a significant portion of the equity market's total return. Over the past 10 years, reinvested dividends have accounted for nearly 17 percent (market returns calculated from Morningstar Data – S&P 500 TR USD Index and S&P 500 PR) of the total equity return. Over the past 20 years, it has accounted for 35 percent (Ibid) of the equity market performance.

In the current economic environment, a growing number of companies are implementing dividends or increasing dividend yields. Coupling the advantageous tax treatments for qualified distributions with still-low inflation and interest rates, we expect dividend investing will continue to attract investors looking for income opportunities who might also be concerned about market growth prospects.

Another benefit of dividend-paying stocks is that dividends help buffer market volatility. Stocks with higher dividend yields provide more consistent returns with less volatility over full market cycles than lower dividend-yielding. Over market cycles, the strategy has generally provided positive and increasing levels of cash flow to investors.

While not all market cycles are equal, dividend-paying stocks have usually provided investors with a buffer during more volatile market periods, and in many cases they have produced higher returns than their non-dividend paying counterparts.

There is a chance that absolute real returns for equities will be low by historical standards over the next several years, with the potential that

underlying earnings growth and valuations fail to offer significant upside. In this environment, stocks may have only nominal upside potential, with much of their real return supported by dividends. Despite that, we still expect dividends to help stocks outperform other income generating asset classes, such as fixed income offerings.

In today's environment of distracting headlines, rising market volatility, plateauing earnings growth and rate uncertainty, adding a thoughtfully constructed equity income strategy to help create an income-generating portfolio makes a lot of sense.

Incorporating a broadly diversified portfolio of companies across industry and economic sectors, all with the ability to support growth in future dividend payments, is key to the strategy's potential for success. The stock selections have the potential to provide an attractive yield and after-tax return profile, while buffering periods of equity market turmoil. The risk-adjusted return profile for dividend securities is attractive, coupled with a growing number of dividend-paying companies.

Over time, we believe equity dividend investing should become an increasing focus for many investors.

Tom Stringfellow is President and Chief Investment Officer, and Alan Adelman is Senior Fund Manager and Senior Research Analyst at Frost Investment Advisors (FIA), which provides investment advisory services to investment companies, institutional and high-net-worth clients, pension/profit sharing plans, endowments and charitable organizations, as well as Frost Wealth Advisors ("FWA") and other affiliated companies.

FIA is a wholly owned subsidiary of Frost Bank, which has a 150-year history and is one of the largest Texas-based banking organizations.

大中华地区私人银行家协会
Association of Private Bankers
in Greater China Region





UK FAMILY BUSINESSES CHOOSE SELF-FUNDING TO FINANCE FUTURE GROWTH

KPMG

Three-quarters of UK family businesses self-funding growth plans

96% say innovation is key focus over next 2 years

59% of UK family businesses confident about their business over next 12 months

Family businesses in the UK are choosing to self-fund growth plans over bank or equity financing, according to new research from KPMG Enterprise.

Over two-thirds (76%) of UK family businesses said retention of profits was the most attractive form of funding for their businesses, according to the European Family Business Barometer, a survey of Europe-based family businesses produced by KPMG Enterprise and European Family Business (EFB).

Just 49% of European based family businesses opted for the same funding route, with 41% looking to bank financing, compared to 35% of UK respondents.

Researchers surveyed 1,613 family business executives in 27 countries across Europe for this year's report, which revealed less than one in five (19%) UK family businesses would use personal/family equity or loan financing for their business, compared to 35% of their European counterparts.

Innovation, training and education, and diversification are key priorities as they adapt to a fast-changing world, with 96% of UK family businesses putting innovation at the heart of their focus for next few years, compared to 72% of their European counterparts. Educating and training their workforce was the second priority for 94% of UK family businesses, compared to 64% of European

based respondents, whilst 83% of UK respondents said diversifying products and services would be important going forward, compared to 50% of European family businesses who responded.

Commenting on the findings, Tom McGinness, KPMG Partner and Global Co-leader for KPMG Enterprise Family Business, said:

"Family businesses want to keep control when it comes to financing further expansion or other investments in their businesses, which makes sense, given the current economic climate and the fact that they tend to be more risk averse and often much better at planning for the long-term. However, as family businesses get larger, we do see them turning to more external funding, reflecting the realisation that as a business and its ambitions grow, its need for funding can only be met by turning to capital markets. *Family businesses are well-practiced at long-term survival, which they know relies on their ability to innovate and adapt to an uncertain and rapidly changing business environment. Innovation and work force training are closely linked, with businesses needing the right people and skills to drive new models forward. Family businesses are hugely loyal to their workforce, and investing in training and education will not only help to retain a motivated workforce, it is absolutely vital to help to drive growth, particularly as new technologies such as AI come on board.*"

Confidence remains

Generally, UK family businesses were confident of the economic outlook for their businesses over the next year (62%). Optimism is especially high among family businesses in Ireland (91%), Portugal (78%), and the Netherlands (67%). However, in Germany, where recession fears continue to take hold and industrial

orders in some sectors have been declining over the past few months, family businesses have begun to pull back and slow down their spending. Reflecting this mood, only 51% of German respondents expressed confidence in the year ahead.

One of the factors driving business confidence among Europe's family businesses is the fact that turnover remains strong. 59% of total respondents report that turnover increased over the past 12 months — up from 58% in 2018 and 54% in 2016. 28% said turnover remained steady over the last year, a slight improvement over the previous two years.

Political uncertainty was cited as a high area of concern by 69% of UK respondents, compared to 51% of respondents across Europe. UK respondents are also more concerned about currency instability (42%) than their European peers (32%).

More than one-third (37%) of family businesses surveyed for the report had increased international activity over the past 12 months, led by those in Croatia, Belgium, Ireland, and Austria. That's up slightly from 2018 (34%), but still well below the 65% seen in 2016's report. Respondents from Germany, Finland, and the UK were least likely to have reported increased international activity. International activity remains an important part of many family businesses' strategy moving forward. 67% of UK family businesses said they were looking to enter new geographical markets over the next two years, compared to just 35% of their European counterparts.

Tom McGinness commented:

"Family businesses are a critical part of the European economy. In some European countries, the majority of companies are family businesses — and together, they form a vast and diverse group across Europe, from tiny two-person operations to huge organisations that span the globe and employ thousands. Like all businesses, family businesses across Europe are operating in uncertain conditions, with the prospect of an economic slowdown on the horizon. For many family businesses,

which have been passed through the generations, this confidence is borne from their history, and the fact that they have been through and survived tough conditions before. Despite these many challenges, it is encouraging to see that family businesses remain positive about the future and are choosing to focus on their core business in the 12 months ahead."

Succession top of mind as business families look to the future

Succession is poised to become a critical topic for family businesses across Europe over the next 5 to 10 years. It's estimated that US \$15.4 trillion will be transferred globally by 2030; US \$3.2 trillion of which will be transferred in Europe.

In this year's survey, 35% of respondents (34% in the UK) say they intend to pass ownership of the business to the next generation, while 33% (31%) plan to pass on management responsibilities as well. Only 27% in the UK and Europe say they intend to transfer oversight responsibilities, perhaps suggesting the senior generation would like to keep a close watch on the business for a while longer.

While 84% of respondents say they currently have a family member as president or CEO, only 62% believe a family member will occupy that role in the years to come.

Tom McGinness observed:

"Older family businesses still have family members in charge, but this may become less common in the future. Families will increasingly feel that they need outside expertise to help the business navigate a complex and constantly changing environment. As businesses grow more global and more digital, external executive leadership can bring the experience, skills and independent perspective needed to innovate, take strategic risks, and prosper."

The report can be found at: <https://www.kpmgenterprise.co.uk/perspectives/eighth-annual-european-family-business-barometer/>

SHANNON AIRPORT



EUROPE'S ONLY US CUSTOMS & IMMIGRATION PRECLEARANCE FACILITY FOR BUSINESS JETS

Shannon Airport, a Shannon Group company located in Western Ireland, has a track record of firsts: It was Ireland's first transatlantic airport, is home to the world's first Duty Free Shop (opened in 1947), has Europe's first U.S. Immigration Pre-Inspection facility (since 1986), and became the first airport in Europe in 2010 to offer full US Customs and Border Protection preclearance for airlines.

Shannon is Europe's No. 1 location for business jet fuel stops on the North Atlantic and sees many business jets using the airport every year because of its excellent customer service and strategic location right on the edge of Europe. The airport handled over 4,000 Business Aviation movement in 2018, most of which were for fuel stops. Shannon Airport has a 24/7/365 operation. There are no curfew, slots or noise restrictions and features a 10,500 ft (3,200

m) long 06/24 runway – the longest in Ireland. The famous Irish weather is also beneficial for aircraft operators.

Undoubtedly, Shannon Airport holds a historic and important place in the history of world aviation. The airport celebrated its eightieth anniversary earlier this year by commemorating the arrival on 11 July 1939 of its first passenger flight, a Belgian Sabena Savoia-Marchetti SM.73 tri-motor airliner which landed on the newly-opened and then-named Rineanna Airfield.

The passengers were greeted with cheers from the assembled staff of the new airport before they were taken to Foynes in nearby County Limerick to board Pan American's Boeing 314 flying boat Yankee Clipper, bound for New York.



By 1942 Rineanna had been named Shannon Airport, and by 1945 its runways had been extended to accommodate transatlantic services. Two years later, Shannon boasted the world's first airport duty free shop opened, then a small kiosk staffed by one woman, now a global multi-million dollar industry.

Mary Considine, Chief Executive Officer of the Shannon Group, says, "We are hugely proud of our history here at Shannon, and our pioneering reputation is recognised and respected across the world of aviation."

"Shannon was the first European gateway for transatlantic flights, and over the past eight decades we have welcomed every serving US President, royalty, famous actors and musicians along with tens of millions of international travellers."

Shannon's pioneering spirit is evident throughout its history. In 2010, Shannon was the first airport in the world to introduce US Customs & Immigration (CBP) preclearance for Business Jets and is still the only airport in either Europe or the Middle East with this unique facility.

This allows passengers on Business Jets to preclear US Customs & Immigration in Shannon and then fly directly to over 200 US airports. When the passenger arrives at the US airport on a Business Jet Precleared by CBP in Shannon, they are treated like a domestic arrival and undergo no further formalities.

VIP customers on business jets enjoy using US preclearance in Shannon because the service is very fast and efficient, with good customer service from

CBP officers. Flights can be precleared in as little as 15 to 30 minutes and will be always finished before the jet is refuelled.

Shannon is Ireland's second-largest long-haul airport, and the only one outside of the capital offering direct flights to all key Irish markets - UK, mainland Europe and the USA.

Joe Buckley Business Relations Manager at Shannon Airport reports that there is considerable interest in Preclearance from aircraft operators and international flight trip planning companies. "I was in the US recently at a major Business Aviation Show, and everyone wanted to talk about preclearance and the benefits of using the service. We are also getting a lot of interest from customers in Europe and the Middle East, as everyone wants to avoid delays when they arrive in the US. The hours of operation for preclearance were recently extended, and the service is now available from 07:00 to 21:00 local."

Buckley said "for passengers who decide to overnight in the Shannon Region, we have VIP accommodation at scenic Irish castles, luxury hotels and some of the best golf courses in the world. Less than one hour from Shannon, there are three of the best five-star hotel properties in Ireland, which are Adare Manor, Dromoland Castle and Trump International in Doonbeg. Buckley also reports that a growing number of large American and European corporations are flying to Shannon and starting to hold board meetings in the region, which is easily accessible by business aircraft from both sides of the Atlantic and offers a very relaxed environment for doing business".



The airport is part of the Shannon Group plc, a dynamic commercial semi-state company with a very significant role in stimulating growth across the West of Ireland. In addition to the airport, it comprises Shannon Commercial Properties and Shannon Heritage.

Shannon Group was set up in late 2014 to promote aviation and develop its property and tourism assets. The Group is a key driving force for economic growth in the region. It provides vital air access through Shannon Airport to allow the business community to operate globally and a gateway for tourists to access the breathtakingly beautiful Wild Atlantic Way, a 2,500km coastal driving route stretching from County Donegal's Inishowen Peninsula in Ulster to Kinsale, County Cork, in Munster.

The Group's heritage company, Shannon Heritage, manages and operates a variety of family oriented world-leading immersive day visitor attractions and evening entertainment events in Counties Clare, Limerick, Galway and Dublin. Among these are six medieval castles.

Shannon Group is also in the business of providing property solutions to enable foreign direction investment and indigenous business to establish and grow in the region. One of the locations where it does this is at Shannon Free Zone, a multi-sectoral business park located right beside Shannon Airport. Shannon Free Zone was the world's first tax free industrial zone, and today it is home to over 170 companies employing 8,000 people.

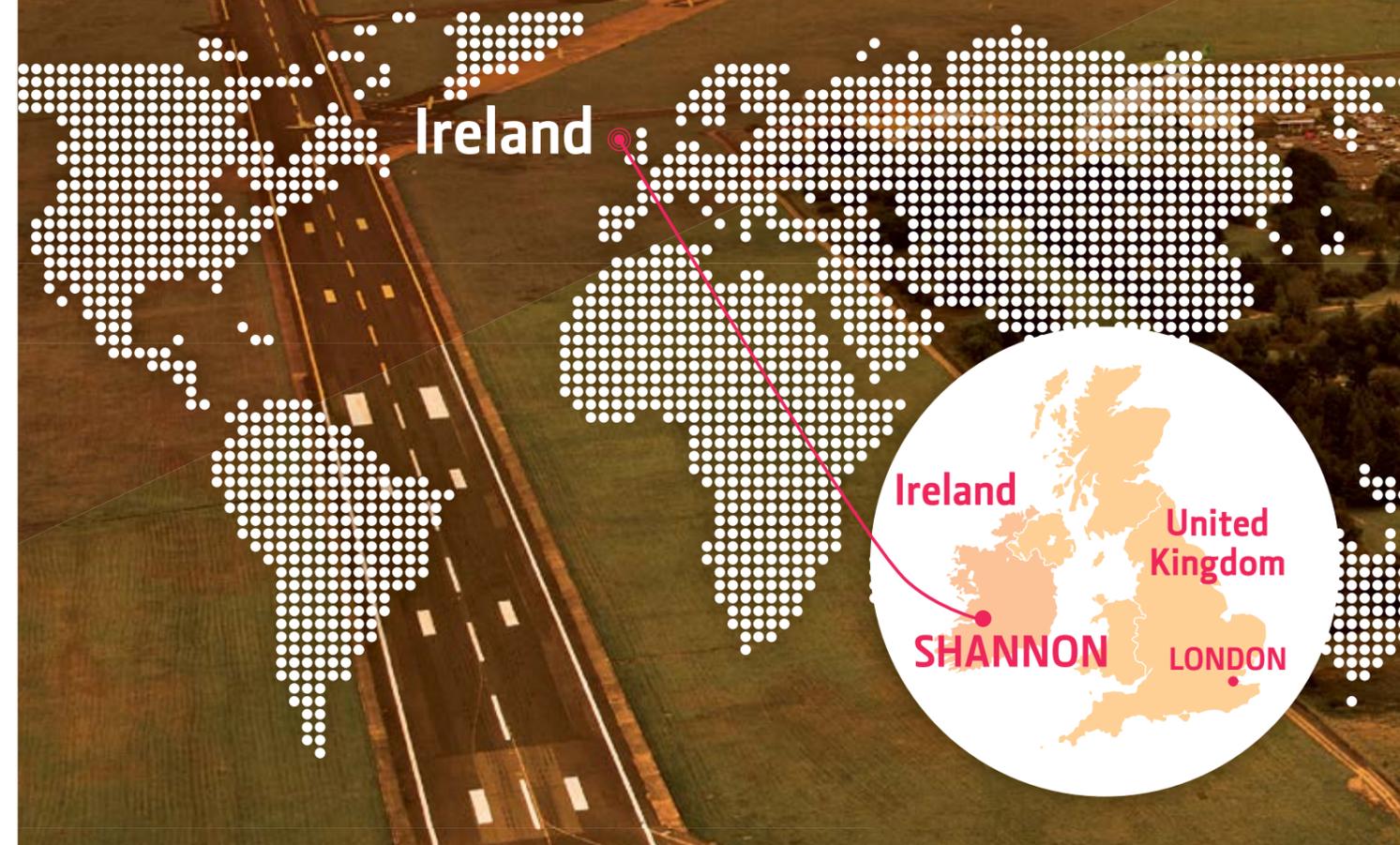
Stimulating growth in the aviation sector is also a central part of the group's cluster of over 80 aviation and aerospace businesses which have chosen to locate in Shannon.

What makes the area special? Mary Considine says it's a combination of factors:
"We are privileged to operate on the beautiful West coast of Ireland. Our airport is the access gateway to the Wild Atlantic Way. We are very customer-focused, and we endeavour to make accessing our airport and our region as easy as possible for our business and leisure passengers."



Shannon Airport

Europe's only US Customs & Immigration preclearance facility for Business Jets



DIGITAL DISRUPTION IS CREATING BETTER TOOLS FOR FAMILY OFFICES

It's no secret that family office (FO) executives face the same disruptive technology and market forces as other businesses. The uncertainty created by a constant flow of more powerful software and service offerings, combined with the ceaseless attacks on security from cyber criminals, is overwhelming. Yet family office executives who identify their specific needs, harness the power of technology, and embrace disruption will support family legacy and stand apart from their peers.

Common challenges affect all family office executives. Those who embrace leading practices know how to make better decisions, improve quality and productivity, and protect family privacy and confidentiality. Here are three ways they grow, improve and protect the family while navigating the uncharted waters of technology and digital disruptions.

Reporting systems improve decision-making

Accurate and timely data organized into useful reporting formats is key to good decision-making. The varieties and complexities of family office reporting requirements grow exponentially as clients ask for more details and better summary information. The need to mine for meaningful information often leads to investments in new accounting and reporting systems – the more complex the family office, the more it is needed.

For example, one couple had five adult children who wanted to manage their own money from family trusts. That independence would have resulted in staffing and resources for six family offices. Instead, the family found efficiencies by operating a hub-and-spokes model with a single team supported by sophisticated software as a central resource. The efficiency and consistent reporting of one system still offered the flexibility and extensibility to meet individual requirements for personalized outcomes.

The software that family office chose met its unique needs but may not work for others. Working with hundreds of families over 25 years has proven one thing:



Jon Carroll
Ernst & Young LLP

family office systems are never “one size fits all.” Evaluating the best in the latest disruptive platforms and services for investment and accounting is difficult but worthwhile, as new systems that integrate with legacy systems can produce higher quality outputs at a faster pace, for a long-term total cost savings. When evaluating a new technology architecture vision, potential value-adds, and the expected return on investment, the key is to have all users of data – the investment team; the finance, accounting and tax team; the trustees; the board and the family clients – agree to and define business requirements. Upon implementation, all users of data should be using the one “golden source” of data.

Many new software and service entrants also integrate with accounting and reporting systems to address noncore needs that allow FO leaders to consider improving multi-asset-class tracking and reporting, risk management, loan accounting for interfamily borrowing, tracking of art, wine and jewelry collections, airplane usage and allocation software. Each program can add richness to the golden source of data to improve decision-making.

Another benefit of digital disruption that occurred as most software moved to the cloud and to a software-as-a service (SaaS) or subscription model: IT efficiency. By automating software management, maintenance and updates, the family office IT staff declares less downtime. By welcoming the digital disruption of outsourcing or co-sourcing with new SaaS, several FO executives have reported shaving six to eight weeks off the time to close and report on financial and investment results.

Robotic process automation and artificial intelligence make the impossible possible

Almost every conversation with a FO leads to questions about how to automate processes. Family offices that welcome innovation have increased quality, productivity and risk-adjusted returns by adopting robotic process automation (RPA) tools to speed up routine tasks in data gathering, analyzing and reporting data.

This has been particularly useful for teams who regularly pull investment position and performance data, reorganize the information, and perform some calculations. The prospect of relieving a highly educated and paid team member from the dreary manual effort to collect and compile data on alternative investments can be compelling.

Artificial intelligence (AI) is another tool showing up in the family office, inspiring new ways of operating and growing a business. AI can be applied to countless situations, but one of the biggest value propositions is allowing the user to analyze data, improve internal workflow and reduce the risk of expense fraud.

Using AI, leading practice executives can review all the cash transactions for the period, not just a sample, so no cash transaction will go unexamined.

Disruptive technologies, such as RPA and AI, are improving productivity and quality in the family office, especially in previously manual-labor-intensive activities, such as data gathering, compilation, control reporting and internal auditing.

Fighting the good fight against cybercrime

Cybercrime is omnipresent. Family offices require secure data to protect privacy and reputation at all costs. The most prevalent proactive security measure used by leading-practice executives is attack and penetration testing.

Cybercriminals are constantly probing the family and its family office to exploit the weakest link, which is often outside the family office on personal devices, such as smartphones, tablets and unsecured home networks, and using unencrypted personal email. Cybercriminals wait patiently for an employee or family member to open an email and click on a ransomware link.

Educating all users – employees and family members – is key to a successful defence. To prove that the education program is working, leading family offices regularly perform an attack-and-penetration test of both external and internal networks to identify and exploit vulnerabilities. Testing both external and internal IP addresses using stealth is usually enough to educate the family office on what needs to be done to detect, respond and prevent an attack. In its own way, this attack-and-penetrate test can be one of the most valuable digital disrupters in the office.

Conclusion

Family office executives have the responsibility to improve, grow and protect the family's assets. Digital disruption creates opportunities for family office executives to improve decision-making, quality and productivity, and to mitigate risk to family wealth and reputation. Disruptive technologies like new reporting platforms, robotic process automation, artificial intelligence and cybersecurity attack-and-penetration testing are creating better tools and operations for the forward-thinking family offices that welcome the disruption. As one family office principal described recently, “The increasing sophistication of technology may seem like the challenge, but knowing what we need and investing in it is vital to our ability to support the family today and in the future.”

www.ey.com



SPANISH TAX ISSUES

by León Fernando Del Canto

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

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

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

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

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



León Fernando Del Canto
Normanton Chambers at 218 Strand

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

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

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

This year the Spanish tax authorities have taken it a

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

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

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

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

Other regulations that have come into effect (which are particularly relevant to the larger estates) include tightening up on employment laws and tourist

accommodation regulations, which the UBO must also be familiar with.

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

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

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

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

León Fernando Del Canto is a barrister at cross-border tax specialists practising from Normanton Chambers at 218 Strand. He is a member of The Worshipful Company of Tax Advisers in London and the Madrid Bar.

fernando@delcantochambers.com
www.delcantochambers.com

CAYMAN ISLANDS

Why family offices are relocating to the Cayman Islands

By Mark VanDevelde, CEO of Dart



The Cayman Islands has been home to the Dart family and businesses for 25 years. Mark VanDevelde, CEO of Dart, explores what has changed in that time and why more family offices are looking at moving their operations to the Cayman Islands.

More than 70,000 people call the Cayman Islands home, and more than half of the population comes from countries like the United States, Canada and the United Kingdom. An increasing number of these new residents come from the financial services community, including many single- and multi-family offices.

Of all the places that a wealthy family can choose for a permanent home, what is it about the Cayman Islands that sets it apart from other jurisdictions around the world?

At Dart, we first pondered this question in the early 1990s as part of an effort to choose an offshore base of operations for Ken Dart and his family. Ken is an heir to William F. Dart, his grandfather and the founder of the Dart Container Corporation, and he wanted to set up a global family office that would allow him to continue to invest in multiple international businesses while making local investments too. Cayman provided a tax-neutral platform and was therefore a very favourable place for our business to transact, and it continues to offer this advantage today. There were several factors that were immediately attractive about the Cayman Islands: a stable government, a strong local economy, tried-and-tested legislation for investment, wealth and succession, a high standard of living, and a world-class professional services sector that works in partnership with Government to ensure that Cayman never stands

still – continually bringing forward innovative legislation to meet the needs of global businesses and families.

These attributes have ensured that Cayman has maintained its long-held position as a world-class international finance jurisdiction – the first choice for institutions, investment funds, private equity and global wealthy families.

A proactive government

As a British Overseas Territory, the Cayman Islands has always had a stable government and a strong rule of law. Local government officials have taken a collaborative approach to crafting business-friendly legislation, working in concert with financial and professional services experts to ensure that Cayman's legislation remains at the forefront of the latest international developments, geopolitical considerations and the ever-changing international regulatory landscape.

Strong local economy

A stable government is also a key ingredient to maintaining a thriving economy. The Cayman Islands benefits from having a strong local currency that is tied to the U.S. dollar, and the economy has maintained enduring strength from its twin pillars – tourism and the financial services industry – as well as the emerging industries of real estate, healthcare and technology. As of 2020, the Cayman Islands enjoys a low unemployment rate of just 3%, and real GDP of 2.6%.

Proven legislation

Cayman offers legislation that provides for world-class, globally recognised structuring options for both businesses and families who wish to base their operations in Cayman. Thanks to long-standing trust, investment fund, and corporate legislation, as well as recent innovations such as Foundation Companies, Cayman is one of the most trusted jurisdictions worldwide for global clients with business, succession planning, asset protection, forced heirship or philanthropic objectives.

Cayman has also been at the leading edge of global regulation and compliance standards for many years and plays a leading role in the fight against anti-money laundering and illegal tax evasion. Cayman meets all OECD global requirements.

Island life but with all the familiar amenities

With a stunning backdrop featuring powder-white sands and crystal-clear blue waters, the Cayman Islands offers residents the relaxing setting of a tropical island as well as access to all the same amenities as residents in other U.S. cities or affluent suburbs. This includes a strong education system, good hospitals, supermarkets, low crime, and solid infrastructure, including an expanded international airport with nonstop flights to 24 destinations, including flights to major U.S. hubs such as New York, Chicago, Dallas, and Miami. With a history of flexible immigration policies, the Cayman Islands is home to approximately 130 nationalities, creating a cosmopolitan culture.

World-class financial talent at your fingertips

Worldwide, attracting talent can be a difficult task. However, with its high quality of living it is no wonder that so many financial professionals have made the move to the Cayman Islands throughout the 1980s and 1990s – a trend that continues today.

When we first conducted a site visit, credibility was almost instantly established, with many financial services firms having a physical presence on the island, including top international banks, accounting firms, and law firms. This also made the transition easy, as there were so many local financial professionals that could help us navigate questions around immigration, taxes, leasing, politics, licenses, and countless other nuances.

As Ken Dart said in 1993, upon making the move official: "The Cayman Islands checked every box for us."

The Cayman Islands – more than 25 years later

The Cayman Islands has evolved a great deal since 1993, and yet not much has changed at all.

Each of the factors that put the Cayman Islands at the top of our list continues to hold true. The local government continues to craft legislation to make it easier for both Caymanians and non-Caymanians to live and work on island. The quality of living continues to improve, with substantial public and private investments in infrastructure, education and healthcare. It's clear that the destination has been established, as we have seen a continued influx of financial talent representing both

young, up-and-coming professionals and seasoned veterans from across the financial services industry.

One of the main areas that has seen change for residents of the Cayman Islands is that the transition process for newcomers has become streamlined. In 2019, we saw many new family offices come to the Cayman Islands, and Dart's business development division has made a practice of assisting other family offices in their relocation to Cayman. Offering streamlined services to help family offices establish a physical presence, their employees find a place to live, and their children to find placements in schools offering a range of curricula, we have been pleased to spread the word about Cayman and its many benefits, both to family offices and individuals. In addition, a new Cayman Islands government ministry, the Ministry of International Trade, Investment, Aviation and Maritime Affairs (MITIAMA), aims to ensure that doing business in the Cayman Islands is streamlined and also aims to raise global awareness of the Cayman Islands as a jurisdiction.

"Individuals and companies who choose the Cayman Islands to do business know that they can rely on a stable, business-focused environment that can match any global governance standard," says Eric Bush, chief officer for MITIAMA. "We take pride in knowing that our governance approach as a country has played a major role in shaping our success."

These high governance standards, 'open-for-business' attitude, and minimal bureaucratic red tape has allowed the Cayman Islands to continue to grow and prosper, thereby encouraging the flow of more people—and capital—to the Cayman Islands.

Family offices, in particular, have been the beneficiaries of recent changes to Cayman's legislation, especially as local officials look for more ways to attract long-term capital that can be put to work growing the local economy and developing the island.

Government officials continue to focus on improving local infrastructure, with a major renovation of the Owen Roberts International Airport completed in 2019, the runway expansion project (which commenced in 2020), and improved transportation infrastructure. Enhancements in the healthcare and education system

are also a focus, including expansion at Health City Cayman Islands and Cayman International School in Camana Bay. There are numerous high-end residential and commercial property projects springing up across the island, ensuring there is broad supply of residential offerings and high-quality commercial office space to meet the needs of the growing population.

Alden McLaughlin, the Premier of the Cayman Islands, put it succinctly in his opening address for the Cayman Alternative Investment Summit:

"We will continue to create more successes on these three small gems, ensuring that my government continues to work with the private sector so that our three islands remain an attractive place to do business and grow the economy..."

"It has been our ability to stay relevant to the needs of business that has enabled our economic success and by extension our ability to make the lives of our people better."

If you're looking for rounded family office expertise, there's one place you should look...

here.

Guernsey

International Finance Centre

Find out more at guernseyfinance.com

DDC SUMMITS 2020

DDC

GLOBAL DEBT ECONOMY & INVESTMENT SUMMIT - LONDON, SEPTEMBER 29 & 30

A forum for the world's top leaders in macroeconomics and distressed investing to share experiences and exchange views on current developments on global debt management issues. A world-class global event hosted at Chelsea Stadium.

EUROPEAN NPL INVESTING & MANAGEMENT SUMMIT - ATHENS, OCTOBER 21 & 22

Europe's premier gathering of NPL and Distressed investing professionals, with Greece and Cyprus at centre-stage. Now in its 5th iteration and set against the backdrop of the active Greek market.



Info & Registration:
ddc-financial/events
info@ddc-financial.com



Affiliated group

MONACO
ECONOMIC
BOARD

INDIVIDUALS OR COMPANIES LOOKING TO RELOCATE TO MONACO WILL BENEFIT FROM OUR INTIMATE KNOWLEDGE OF THE PRINCIPALITY.

WE ARE ON HAND TO HELP COMPANIES EVERY STEP OF THE WAY TO ENSURE SETTING UP A BUSINESS IN THE PRINCIPALITY IS A SIMPLE AND EFFORTLESS EXPERIENCE.

EMAIL US AT: INFO@MONACOINVEST.MC

