PROTECTION AGAINST FRAUD

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DUBAI

WINTER SUPERYACHT DESTINATION

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DUBAI

GLOBAL SUPERYACHT CAPITAL

Building on a rich maritime heritage, Dubai has made rapid progress to emerge as a preferred destination for yacht owners, charters and cruise travelers from across the world and a leading multi-faceted global hub for the sector.

With its world-class infrastructure, picturesque coastline, simplified access procedures, open anchorage areas, luxury marinas and diverse sea and land based experiences, Dubai has become a global yacht tourism magnet and the destination of choice for owners and captains of superyachts, especially in the winter season from October to April.

His Highness Sheikh Mansoor bin Mohammed bin Rashid Al Maktoum, Chairman of the Dubai Council for Border Crossing Points Security, said the rapid growth of Dubai's maritime tourism sector has contributed significantly to reinforcing the emirate's status as one of the world's most popular tourism destinations. His Highness called for further efforts to accelerate the pace of the sector's growth and the development of its offerings, building on the successful start of Dubai's cruise tourism season this year.

His Highness said: "Dubai's leadership is committed to providing the world-class infrastructure, facilities and support necessary for maritime tourism to flourish in the emirate and for tourists to have a smooth, hassle-free and enriching experience. Dubai has a long and distinguished track record for providing exceptional services in this sector, which has made it a destination that is a favourite among both industry players and tourists worldwide."

Under the directives of His Highness Sheikh Mansoor bin Mohammed, a cross-governmental task force was established to ensure that all foreign-flagged yachts, whether shipped or sailing to Dubai, have a seamless experience on arrival and benefit from full access to modern infrastructure and advanced marina based facilities.

Following the launch of Dubai Harbour in 2020, and the expansion of several marinas across the emirate in the last 18 months, Dubai is now home to 15 marinas with more than 3,000 berths, which can accommodate an array of pleasure craft and luxury yachts as well as superyachts and gigayachts.

Dubai is particularly attractive as a hub for superyachts, with its world-class facilities and sophisticated infrastructure, and plethora of fine-dining restaurants, diverse experiences and tourism attractions, all within easy access of the marinas. According to Oxford Business Group, more than 200 superyachts (37 – 60m yachts) were registered across the Middle East as of 2019, with Dubai being the base for many of these vessels. The dock and dine options that are available at the marinas, in addition to its varied destination offerings, span many leisure touchpoints from heritage

to entertainment, outdoor adventures to beach activities, gastronomy to family-oriented experiences, and from shopping to luxury.

With the impact of the pandemic continuing to influence new travel trends globally, residents and tourists are now seeking more private and closed-group activities. As a result, yachting has become increasingly popular with both tourists and residents alike, with owners and captains seeking to berth their vessels in marinas along Dubai's coastline, such as the new Dubai Harbour.

Sheikh Saeed bin Ahmed bin Khalifa Al Maktoum, Executive Director of Dubai Maritime City Authority, said: "The Dubai Maritime City Authority is committed to promote Dubai's position in the global maritime sector, by developing productive partnerships and innovative initiatives to elevate the leisure industry, create unique yacht tourism experiences and raise the sustainability of the sector in Dubai. In line with the futuristic vision of His Highness Sheikh Mohammed bin Rashid Al Maktoum, Vice President and Prime Minister of the UAE and Ruler of Dubai, we're moving forward to advance marine leisure activities, tourist destinations, marinas, recreational places and yacht services to create a leading cluster for maritime activities in Dubai."

Issam Kazim, Chief Executive Officer of Dubai Corporation for Tourism and Commerce Marketing, commented: "We are seeing a rapid rise in yachting and cruising, two key offerings that support our tourism growth strategy in line with the vision of His Highness Sheikh Mohammed bin Rashid Al Maktoum, Vice President and Prime Minister of the UAE

and Ruler of Dubai, to position the emirate as the most sought-after destination to visit as it continues to offer diverse tourism experiences as well as enhance its appeal as a global hub for businesses and an attractive location to live and work in.

Dubai's range of yacht tourism facilities that meet the highest international standards combined with its diverse destination proposition and commitment to prioritising the health and safety of people has enabled Dubai to build a thriving global yachting community and offer leisure and adventure activities featuring the most modern watercraft. Dubai's ability to provide residents and tourists memorable maritime experiences is a testament to our strong collaboration with our stakeholders and partners."

Hamza Mustafa, COO, P&O Marinas, said: "The UAE has a diversified economy with tourism as one of its core pillars. Capitalising on this, the country has established itself as an exclusive, luxury yachting destination. At P&O Marinas, through our collection of sought-after yachting and coastal destinations, our sole purpose is to develop and promote Dubai as a comprehensive maritime hub and a global destination for marine tourism. Our assemblage of marinas is one of the most comprehensive in the Middle East, with a total capacity of 1,200 wet berths, 600 dry berths, and an ability to accommodate 60 superyachts ranging between 25m and 160m. In addition to this, we are continually working to ensure that the Emirate remains the epicentre for yacht and superyacht owners.

"Moreover, as per a report from Research and Markets, the global yacht industry is projected to reach an estimated market value of USD84.7 billion by 2027, growing at a CAGR of 4.1 per cent. This growth will certainly project on the superyacht industry. We have sought to enhance the growth of the industry through

The International Superyacht Summit 2022 aimed to foster collaboration in the sector locally and globally.

"Featuring world-class ports and superyacht berths with state-of-the-art facilities, the UAE has created the ideal conditions for the development of a thriving yacht tourism industry. Dubai offers attractive and competitive advantages including optimal berth spaces, dedicated support facilities and its strategic location along a beautiful coastline."

Abdulla Binhabtoor, Chief Portfolio Management Officer of Dubai Harbour, commented: "Dubai Harbour is an extraordinary seafront district, set to further enhance Dubai's standing as a world-class leisure destination. Dubai Harbour's wide range of infrastructure and services have been carefully curated to deliver a premier, vibrant, and multifaceted marine experience. These include the Dubai Harbour Marinas – the region's largest marinas – which can not only accommodate 700 berths but also offer the city's first superyacht-dedicated marina that can house yachts up to 160m in length."

"In addition, the new opening of the Dubai Harbour Cruise Terminal, a state-of-the-art facility spanning over 120,000m² and comprising two purpose-built terminal buildings, will play a major role in positioning Dubai as a fully integrated global yachting hub. Dubai Harbour reinforces Dubai's positioning as one of the world's leading tourist destinations and is set to play a major role in rekindling the city's connection to the sea, providing more options and easier ways for people to experience a once-in-a-lifetime nautical experience."

The growth potential of the UAE's yachting industry is demonstrated by the presence of world-class companies in the field such as Gulf Craft, manufacturers of luxury and superyachts and the opening up of more companies that are dedicated to promoting yacht tourism including The Yacht Brothers and Hero OdySEA. Demand for yachting has grown increasingly over the past year with yacht operators reporting an increase in bookings across day and weekend trips and new luxury boats and equipment have been added to their fleet.

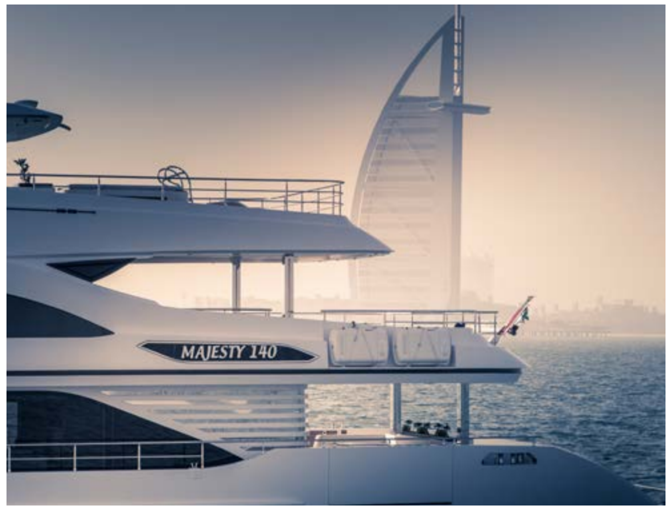
Talal Nasralla, Chief Executive Officer, Gulf Craft, said: "With the yachting season in Dubai now in full swing, the UAE offers marine enthusiasts from all over the globe an unparalleled lifestyle experience. Thanks to the measures Dubai put in place to manage the effects of the global pandemic, and with attractions such as EXPO 2020, I think we can expect a very busy season ahead. There is so much the city has to offer visitors, from traditional Arabic culture and hospitality to incredible architecture, dining experiences and immaculate beaches.

With Mina Rashid perfectly located in the heart of Dubai with capacity and facilities to cater for boats and yachts of all sizes, Dubai should be firmly on the itinerary for travellers looking for optimal weather and plenty to see and do."

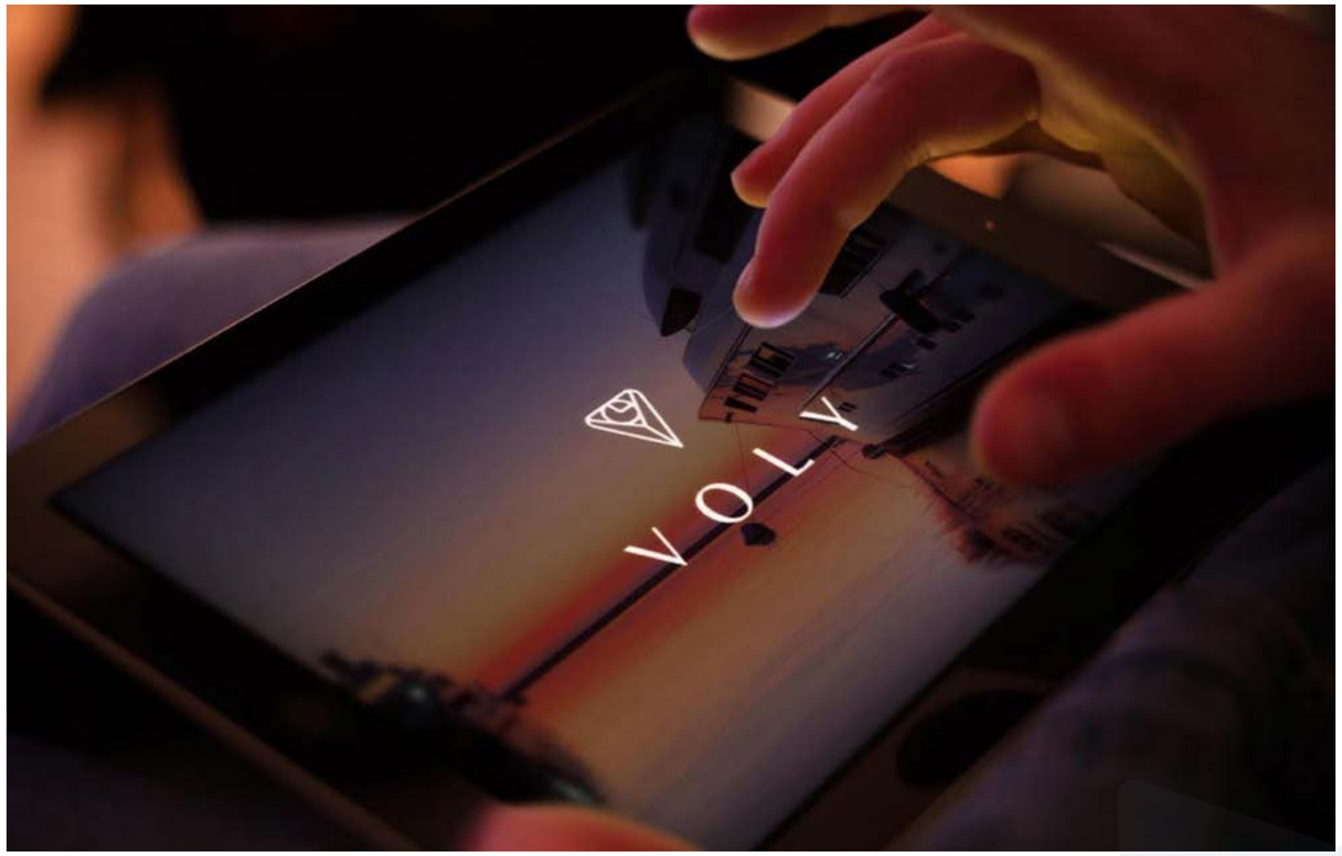
Dubai's rapidly growing yacht tourism sector reflects its commitment to excellence. The exceptional offerings of companies in the sector include bespoke itineraries, superior amenities and water sports. The Yacht Brothers, for example, operate a wide range of yachts from 56ft - 165ft and offer tours and water experiences from 2-500 people. The world's first BVLGARI Yacht Club features a 50-berth harbour that enables both superyachts and local boat owners to anchor in the bay free of charge. These attractions build on the range of more traditional water sports that are already being offered such as jet skiing, wakeboarding and diving.

Dubai is fast becoming a favoured destination amongst international yacht tourists, and is dedicated to showcasing the robust growth of the city as an established world-class marine hub and tourism destination. As Dubai continues to lead the recovery of global tourism, it continues to attract millions of visitors each year. This is due to its year-round sunshine, picturesque coastline, and diversity of destination experiences on land and at sea, combined with its world-class infrastructure, authentic heritage areas, lively neighbourhoods and cultural destinations, stunning beaches, exceptional restaurants and malls, and top hotels and resorts, as well as its position as one of the world's safest destinations.

Visit Dubai page for more information
www.visitdubai.com/en/travel-trade/yachting-in-dubai



ACCOUNTING IN THE MODERN ERA



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

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

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

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

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

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

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

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

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

www.voly.co.uk

TRUST FRAUD AND THE FAMILY

"But the fraudster was trusted by my family! I'm not in control so how could I have protected myself?"

There are clear conditions that allow fraud to occur, but many are only self-evident after crime is detected. Victims usually have enthusiasm about an idea or expected outcome. It could be innovative technology, or desired return like protection, stability or social rewards. Your optimism must be dovetailed with comfort and complacency. Blind trust granted to members of one's own family, partners in your core belief identities such as religious or social structures or business may facilitate the perpetrator.

Universally, fraud prevention is first about tempering optimism and second solving the problem of trust. Deep due diligence executed by you or outside experts can detect and prevent potential problems in granting trust.

I-Trust Fraud Protection: Real World Lessons

Trust Fraud is a relevant and timely topic for family offices, their wealth advisors and compliance/enforcement experts.

• "The Panama Papers" of Trust Fraud? 12-International Investigative Reporters from The International Consortium of Investigative Journalists have researched and written articles on 350-legal boxes of leaked internal trust documents detailing 25-years of trust and tax fraud perpetrated across 6-jurisdictions, including the USA. The documents were found by a trust fund beneficiary who is presently seeking restitution of over $400-million in stolen trust assets by the firms detailed in these leaked files, some of which were secretly owned by her own father, the Settlor of Grantor of her trusts. Casey reviewed some of her trust documents and 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. The leaked files also touch on purported frauds of Robert Maxwell and his family as recently outlined in

BY FRANK CASEY
MADOFF WHISTLEBLOWER

London Times articles. These may point to how his firm's pension money went missing and where it may be today. Again, the common theme was fabricated debt instruments accepted by the trust company.

• Trust beneficiary advocacy & fraud protection: The author believes that trust beneficiaries need advisors to protect against trust complacency and possible corruption worldwide. Banks, Brokers and Asset Managers are regulated and must comply with rules of fiduciary responsibility, but trust companies could skate under poor domestic oversight. The industry needs transparency. Captured, conflicted and corrupt trusts may breed when the judge, prosecutor and defense are law partners of the same or closely related firms within a closely-knit trust jurisdiction.

• Get Professional Help: 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. One may need professional advice when reviewing legal documents, accounting, and asset management complexities etc.

II –The Need for Trust Oversight

"Three of the four legs of finance -- banking, investment management and insurance -- are heavily regulated and required to have substantial compliance programs. But regulatory supervision of trusts can vary widely by domicile." Smaller jurisdictions, where the regulators, judges, trust companies and the trust and estate bar have become too friendly, create risk that wrongful behavior can go undetected.

Of course, even in well-regulated jurisdictions and with sophisticated beneficiaries, there can often be dissatisfaction with trust company services. While a far cry from fraud, beneficiaries often have legitimate complaints about inattention to their accounts, low investment returns and frequent turnover of trust representatives. Sometimes, trust companies will be slow to hire third parties with the necessary investment expertise.

Independent advisors provide third-party due diligence, transparency and oversight to protect beneficiary rights and guide change as required. They should review trust arrangements and prepare a detailed report of findings and recommendations to the beneficiaries addressing fundamental questions: is the trust fund's structure and operation consistent with the founding Letters of Wishes or Operating Agreement? Are they compliant with the laws of the trust's domicile? Are the investments appropriate and the returns reasonable? Are there any indications of mismanagement, irregular practices, or even fraud?

Beneficiaries should pay Trust Advisors a negotiated fee to perform front-end due diligence and ongoing oversight. Advisor fees should be 50% or less than conventional open-ended legal sourcing. Advisors detail the potential frauds or failures and suggest solutions, but the trust beneficiary controls the process and selects the lawyers. Should a hiccup arise, the beneficiary has a fungible, detailed plan of attack that they can move to another team.

III-THE DUE DILIGENCE PROCESS

Casey's practicum of risk management required disciplines outlined by his anagram T.I.P.S detailing 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!

• "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. How are duties segregated? What reports are generated, and how often?

• "P" stands for Pedigree. One can delegate authority but not responsibility! Look at the management company, its domicile, its representatives, boards or trustees and their internal as well as external dealings with auditors and investment personnel. Do they have institutional grade reputations?

• "S" is for Strategy. Qualitatively, do investments and their returns make economic sense? Are they market driven rates of return, having beta to a relational index? If so, then begin your risk metrics analysis to determine risk-adjusted rates of return.

Thus, 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 may need third party advice.

Frank Casey is a founding partner of Casey Moats Andreoli Consultants advising trust companies, their grantors and beneficiaries on fraud prevention, victim advocacy and resolution adjudication and whistleblowing.

THE NEED EXISTS FOR TRUST BENEFICIARY ADVOCACY

by Frank Casey and Darrin Stock

Nearly 2-years ago, Darrin Stock approached Frank Casey to review his wife's trust transactions. Tanya and Darrin stated that they had been fighting her father, the trust grantor for six years. Leaked documents detailed over $400 million in trustee frauds in her trust spanning 25-years. She has massive evidence encompassing thousands of documents and asks, "How do I get anyone to understand? How do I get justice?".

Why appeal to Frank, who has expertise in corporate risk management and alternative investments-hedge funds, and a whistleblower on Bernie Madoff with Harry Markopolos? "Well, fraud is fraud, no matter the side of the ledger, correct?", asked Darrin.

Casey's started covert investigative work in 1972 as a 24-year old U.S. Infantry Captain- Airborne Ranger qualified Battalion Intelligence Officer. Army Headquarters wanted to address the rampant drug abuse problem. Taking initiative, he spent 18-months alone in his top-secret war room building his counter-drug intelligence operation to secure the conviction of the largest drug dealer. He was awarded the Army Commendation Medal in part for this work. Again, in late 1999, Casey used his covert investigative skills chasing Bernard Madoff's Ponzi scheme theft, tracking it from $3-billion until Madoff's collapse and conviction at over $50-billion in December 2008.

Financial equity option experts, Casey and Markopolos knew that returns reported by investment manager/broker Madoff were fraudulent because they had no correlation to daily market moves. They covertly gathered evidence, tracked money flows and documented their case against Madoff using math and mosaic intelligence, warning the U.S. Securities and Exchange Commission repeatedly over an 8-year period. No one would listen, and submission after submission fell on deaf ears with 29-Red Flags ignored. Madoff's Ponzi Scheme grew ten-fold. "Madoff's Ponzi grew exponentially because of a lack of transparency and third-party verification. Regardless the area of specialization, stakeholders may avoid fraud complacency, incompetence or complicity via proper oversight ," Casey said.

Trust Fraud: Upon reviewing Tanya's trust documents, Casey immediately saw that similarities were evident between Ponzi Asset Fraud such as Madoff's and Ponzi Debt Fraud perpetuated by Tanya's lawless trustees. Complicit trustees were accepting phony debt instruments and mortgages without corresponding assets. Fraudsters were drawing down trust value via phony loans and interest payments. "Asset schemes like Madoff, and debt schemes using phony liabilities, are all part of Ponzi Finance.", 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 through incompetence or willful-blindness, and thus are complicit in the crime.

Tanya and Darrin's Fortem Family office had spent over $6-million in legal fees across a dozen law firms adjudicating claims of trustee fraud in six jurisdictions, both offshore and onshore. The trust fraudsters are masters of complexity, layering debt and corporate shells to obfuscate the trail. Tanya claims that crime continues to be perpetrated by her own father, the grantor of the trusts, who is stealing assets via complicit trustees working for trust companies secretly owned and or controlled by her father. Hers is likely a unique situation for sure, but more common trust fraud themes are emerging elsewhere as well. The easiest way to steal from a trust is to own or control a trust company. As Bill Black states in a following article, "the best way to rob a bank is to own one!" Fraud could not happen if proper third-party oversight and due-diligence disciplines were in place.

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. "Non-standardization by domicile hampers oversight. Maybe too small of a domicile and judges/enforcement, estate and trust lawyers, trust company owners/trustees, and asset managers may be too friendly. Would that allow complacency, self-dealing, willful blindness and complicity?" asks Casey.

Trust Review: Beneficiaries may wish to seek third-party advisors to review their trust engagements. After discovery, the advocate should deliver a report of findings and recommendations to the beneficiaries covering Trust Fund Structure and founding Letters of Wishes or Operating Agreement. Are 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. Most importantly, the beneficiary has a fungible, detailed plan of attack that they can move to another team if necessary.

Over six years of battling, this trust victim's family office has evolved proprietary schematics to control all aspects of its due diligence, discovery, lawsuits, exhibits and corroboration of testimony: (FACTT) Facts, Analysis, Corroborating Testimony and Tree-ware (paper trail) brings order to chaos. FACTT is a multi-dimensional program evaluation and review technique (PERT diagram) for beneficiaries navigating the complexity of criminal and civil complaints from discovery to adjudication. Fortem and Casey-Moats-Andreoli are launching an advisory business for other beneficiaries using FACTT combined with CMA's due diligence and sourcing of legal talent for both civil and criminal restitution.

Beneficiaries also believe that investment returns should be addressed though financial innovation. Casey works with AMPHI Research & Trading's CEO Mark Rzepczynski, PhD and past President-CIO at John W. Henry & Co., the 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."

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.

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ROLLS-ROYCE Phantom Orchid

The 'one of one' Rolls-Royce Phantom Orchid has been designed for Singapore.

ROLLS
PHANTOM ORCHID
ROYCE

by Ty Murphy

PHANTOM ORCHID IS AN INSPIRATIONAL SYMBOL FOR OUR TIMES

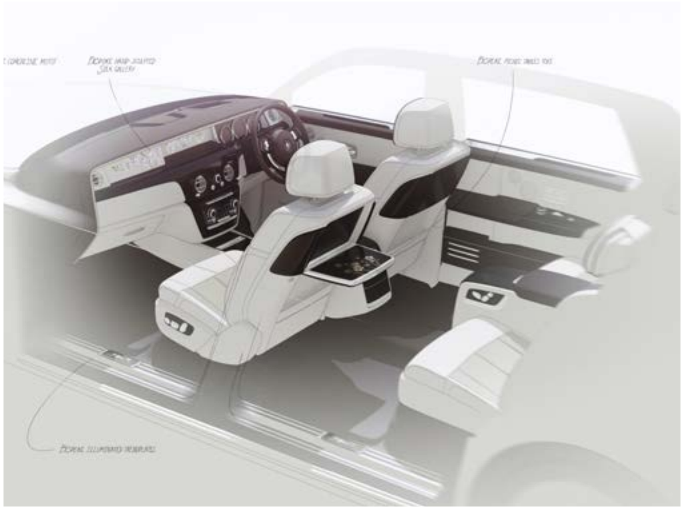
The 'one of one' Rolls-Royce Phantom Orchid has been designed for Singapore. The orchid was selected as an inspirational theme for resilience, beauty and strength. Orchids have long been a focal point for art through the ages, but this is the first time they have been chosen for a Rolls-Royce commission. The orchid is the most coveted of ornamental plants: elegant, exotic, graceful yet hardy.

The combined talent of the Bespoke Collective at the Home of Rolls-Royce saw designers, craftspeople and artisans collaborate over a period of two years to create a masterpiece of this stature.

"Phantom Extended, our pinnacle motor car, was chosen to be the 'blank canvas' for this commission," said Michael Bryden, Lead Designer, Rolls-Royce Bespoke. "Our concept envisaged a balanced yet progressive design, which echoes the values of the Singapore region. The orchid is seen in many facets of Asian life, a reminder that the resilient adapt and thrive regardless of the evolving environment. Phantom is the only motor car in the world to feature the Gallery, a space that enables one to exhibit art, sculptures, or objects of self-expression in the sanctuary of Phantom's interior. For Phantom Orchid, we collaborated with award-winning artist Helen Amy Murray to create a unique, hand-sculpted silk artwork. The delicate materials and techniques that were deployed in the creation of this piece are protected behind an application of pure glass, that runs uninterrupted across the fascia of Phantom. Finished in an elegant blend of Grace White, Havana and Smoke Grey with Dark Olive stitching, the interior evokes the calm and serene nature which is inherent to the character of Phantom." Within the interior, Rolls-Royce Bespoke Designer Yohan Benchetrit applied his talent to the Bespoke orchid-inspired Picnic Table Inlays in the rear of the suite which, when opened, gracefully reveal a beautiful layer of orchids set into Piano Black veneer. He added Bespoke treadplates emanating a similar theme sans text to welcome the owner and passengers into the motor car. The interior suite meanwhile was furnished with elegant, natural colours which provide a soothing ambience akin to an Orchid Sanctuary. To complete this special 'one of one' Phantom, a unique paint was specially created using the latest paint technology. Arctic White was chosen as the base colour, while a tint of violet was added, inspired by orchids. Combined with fine glass particles through a special process, the result is a stunning pearlescent appearance. Under bright light, the paint technology creates a shimmering effect like no other, changing as an observer views the motor car from different angles. An eye-catching single coachline on either side of Phantom incorporates a Bespoke motif, inspired by an orchid, completing the theme.

Rolls-Royce Motor Cars is a wholly-owned subsidiary of the BMW Group and is a completely separate company from Rolls-Royce plc, the manufacturer of aircraft engines and propulsion systems.

Over 2,000 skilled men and women are employed at the Rolls-Royce Motor Cars' head office and manufacturing plant at Goodwood, West Sussex, the only place in the world where the company's super-luxury motor cars are hand-built.



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

TRANSPARENCY

CAN THERE BE TOO MUCH?

by Mark Rzepczynsk

Everyone has private information and secrets. Family life is often about keeping personal affairs private and restricting access to your business, yet to eliminate fraud in your business dealings there needs to be transparency with your counter-parties and with your investments. Fraud's success is often based on a lack of transparency. If sunlight is the antiseptic of truth, then there never is enough transparency.

Transparency attempts to reduction information asymmetries, the difference in knowledge between a principal and an agent performing a task for the principal. Economists have won Novel Prizes for focusing on the impact of differences in information between buyers and sellers, what has been called the "lemon" problem when buying a car. The price for any good will be impacted if there is poor transfer of information signals on quality between the seller and buyer. Hidden lemons will affect the pricing of all goods in the market.

Think of how decisions would be made if every party had full information on the behavior of their counter-party. There cannot be effective monitoring between parties if there is not transparency. Investors or consumers cannot discriminate between good and bad products, services, or investment unless there is sufficient information to make fair distinctions. Disclosure is key to increasing the efficiency of an economy and generating trust. When there are private restrictions or roadblocks, government regulation attempts to increase the minimum level of transparency to improve overall market efficiency.

There are different information transparencies based on type and timing. There are information signals about characteristics (quality) and behavior (intent). Fraud can occur when an agent or seller does not provide the quality expected or engage in the behavior expected. From imperfect transparency come two problems: adverse selection, the problem of making the correct choice, and moral hazard, the problems of measuring hidden actions, or behavior. When transparency is poor, asymmetric information will be high; consequently, there will uncertainty on what action to take and the likelihood of a consumer mistake will increase. Market efficiency is compromised.

There are two types of timing transparency, ex ante (predictive) and ex post (accountability). We need transparency before we make decisions to improve our predictions. We need transparency after the fact so we can hold those who are our agents accountable. Decisions will be poor if we don't have the correct information necessary for taking action. Contracts cannot be enforced if we do not have transparency or observability of actions taken.

When the incentives or objectives of both parties are the same, information transfer is relatively simple and easy to achieve. A problem arises when the objectives and incentives are different. Think of the employee or service provider who wants to be paid more while doing less, or the firm that wants to increase profits without providing extra benefits or services. Fraud is the withholding of information on quality and intentions to receive more compensation for a good or service.

In a corporate setting, investors can think about governance and financial transparency. How is the firm managed and governed, and how is information concerning the firm conveyed through accounting information? The very thought or threat that someone is overseeing action will change behavior. The clear display of information will cause agent or manager behavior to be more closely aligned with investors.

Yet, there is a simple question is to whether there ever is too much transparency. There always is a balance between a need to know, the right to know, and the cost of knowing. Like any good there is a demand for information to be better informed and a supply of information. An appropriate level of transparency occurs when there is a balance between this supply and demand. You can also think in terms of quality and quantity of information. There needs to be enough information to decide, but that information must be of good quality, (truthful), to make the correct decisions. However, just because there is a more transparency does not mean that all the information is meaningful or relevant. Irrelevant information creates noise and will distract from what is important and lead to poorer decisions.

Too much information can be a negative. More information does not necessarily mean that consumer/investors want or need it. There is a cost with data collection and providing transparency. For example, governments and regulators requiring blanket requests for data on a timely basis will generate a burden on the many firms. This is especially the case for smaller firms. Excess reporting and regulation have a greater impact on small firms than on larger one who can spread the cost over a larger base.

Excess information takes away or diminishes important information. Transparency leads to issue of relevance. How is all this information weighted? All information cannot have the same importance. There is also the behavioral problem of dealing with too much information. When there is an excess, users will turn-off or turn-away from deciding or processing the information. Information overload is real.

While there have been issues with fraud caused by withheld information or lying, there are also many cases where the warning signs are all present. They were just not seen, or processed. Bad actors have often been identified in regulatory filings, but they continue to do business with unsuspecting counter-parties or investors because this available or known information was not processed.

Information still must be interpreted so more information may not help a decision-maker who does not know how to assess what he is seeing. Contracts will often have details which provide both warnings and potential issues for signers, yet these details may be obscured through technical legalese. The same issue can occur with investments. For example, unusual accruals in accounting numbers, unusual financial footnotes, and restatements of earnings all need to be interpreted to appreciate their potential impact.

When I was a money manager, I was often asked for complete transparency of transactions and positions. We were happy to provide all this information, but it caused us to have a deeper dialogue. What do you want to know? How are you going to use the information? Who is going to interpret? We often found that the questions they wanted answered would not be addressed through a large data dump. Specialized reports with the ability to verify information were more important and relevant.

Transparency increases fairness and fosters trust. An opaque world cannot be a trusting world because versification is not always possible. For any family office contracting with agents, hiring managers, or reviewing investments, the fundamental rule of thumb for transparency is simple. If you cannot get the information, you believe you need to decide, walk away. There may be some firms that will limit information and not want to work with you, but the risk from being less informed is too great.

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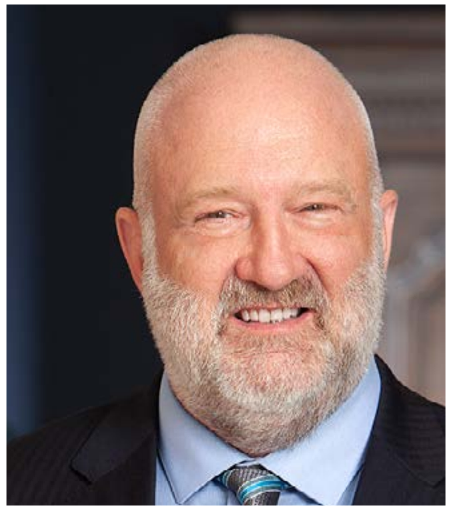
LEGITIMACY AND THE FRAUDSTERS WITHIN

by Bill Black and Frank Casey



Dr. William Black
Professor of Economics and Law
University of Missouri-Kansas City

Frank Casey
Madoff Whistleblower

For the financial wolf in sheep's clothing, the key to criminal success is audacity, not genius!

Bernie Madoff: was a stock broker, financial adviser, former chairman of NASDAQ and he ran over a $50-Billion Ponzi scheme, "Robbing Peter to Pay Paul". After he crashed, he was charged with securities fraud, investment advisor fraud, mail fraud, wire fraud, money laundering, false statements, perjury, making false filings with the SEC and theft from an employee benefit plan. He destroyed institutions, charities, individuals, his family and embarrassed the SEC. He was fined $17 billion in restitution and received a criminal penalty of 150-years in federal prison, became Inmate #61727-054 at FCI Butner Correctional Complex until his death.

Frank Casey:

I-Madoff's trading batting-average was 940, it has to be a fraud!

Bernie purportedly used "split-strike options strategies". I worked with equity option experts, so we knew that Bernie was a financial wolf in sheep's clothing and a cancerous fraud. Option strategies are highly-correlated to general stock market movements so we argued that his stable 1% monthly returns proved his hypocrisy. Stocks are volatile, and nobody bats a 940-winning average! You just can't produce smooth equity return lines all the time!

But, our warnings and whistle-blowing on his Ponzi scheme went unheeded by regulators and bankers alike. Madoff curated his clientele with exclusivity, and victim private bankers and wealthy individuals were smug on being accepted. Areas that preferred personal introductions over standardized evaluation regimens were hot-beds for accumulating victims. For instance, in 2002, when Madoff was parabolically collecting money, my partner Harry Markopolos visited 14-European private-banks with our royal banker friend René-Thierry Magon de La Villehuchet. Twelve of fourteen banks admitted that they were using Madoff and we couldn't compete. "Madoff never loses money and produces near 1% per month with consistency", they unanimously chimed. They were greedily smug, wouldn't listen to our arguments, and we could not compete against a fraud. The resulting damaged reputations and lost client money were bad enough, but our friend Thierry also ignore us for 8-years and paid the ultimate price: he committed suicide after losing $1.4 billion of personal and client wealth.

Shortly after Madoff cratered, my friend George Martin did statistical correlations to estimate how many banks or hedge-fund-of-funds lost with Madoff and where they were domiciled. Greater than 339 Fund of Funds via 59 Management Companies across 40-countries invested in Madoff's scheme including: UK: 52 of 546 (9.5%); USA: 79 of 740 (10.7%); Germany: 24 of 145 (16.6%); Switzerland: 77 of 267 (28.8%); Italy: 27 of 77 (35.1%) and Brazil: 25 of 68 (36.8%). ("Who Invested with Madoff?" by George A. Martin; Journal of Alternative Investments; Summer 2009)

Larger hedge fund of funds firms that specialize in managing mandates for U.S. pension funds, endowments and foundations uncovered too many inconsistencies in the trading strategy managed by Bernard L. Madoff Investment Securities LLC, New York during their due diligence, so they avoided this scheme. However, a few smaller hedge funds of funds were invested in so-called feeder funds, single-manager funds managed by Mr. Madoff's firm which only concentrated risks.

Bottom Line: Don't go it alone. When you hear a complex strategy that few understand, regardless the vertical, seek expert advice. Professional due-diligence shops demand transparency in process. That is why most large managers avoided Madoff's scheme. Many less professional private bankers and individuals, relying on exclusivity and introductions, did not.

II-It is not strategy, but marketing execution that helps the wolf gather victims!

Madoff never allowed one to question his strategy anyway, he just told you that it was complex split-strike option conversion and that you should trust him. "He trades 5%-7% of the total daily market volume, he must be getting inside knowledge to our benefit", clients purred. The strategy was not the hook, acceptance into his exclusive club of clients was most important. No one asked him whether his (purported) strategy was too good to be true. If you did, he would threaten to fire you! Occasionally, an extremely large important client would seek answers to questions with their own eyes, so Madoff arranged phony trades and computer results that were deemed "live trading". The display was a mirage run by the wizard behind the magic curtain.

My message is caveat emptor with an emphasis on clinical analytics rather than quantitative analysis. Knowing about "split strike" was not fundamental to our ability to recognize we had almost certainly discovered a Ponzi scheme. The core "too good to be true" component was not primarily the level of the purported yield of 1% per month without losses, it was the (fictional) market timing that was nearly perfect quarter-after-quarter. There is only one way to produce that pattern – the "trades" must be fictions. Any trade confirmations must be false, and quantitative vetting would prove zero!

III-The Due Diligence Process

Casey's practicum of risk management required disciplines outlined by my anagram T.I.P.S detail both qualitative and quantitative due-diligence metrics. This is described more deeply in another article this month

- "T" stands for Third-party verifications.
- I" is for Internal controls, or separate reporting functions.
- "P" stands for Pedigree.
- "S" is for Strategy.

Due Diligence is both qualitative and quantitative, but not rocket science; it simply requires common sense and some math skill.

William Black:

My reflections on Frank's views spring from my work on "control fraud and predation." I begin with the "TI" components of Frank's "TIPS", which may overlap and miss the biggest point. His view is sound – separation of control is vital, and Madoff violation is essential to running a Ponzi scheme. A Ponzi scheme is a (crude) form of control fraud and predation. I would like to introduce the concept that one of the most important reasons elite financial CEOs running control frauds are the apex financial predators is that they control the front and the "back office" functions. There is no meaningful separation of function when the CEO is running the fraud or predation.

What Casey experienced was exactly what I talk about – the vastly greater harm that the CEO can cause running a seemingly legitimate firm. It is a criminal enterprise even when that pretense is threadbare and folks like Casey and Markopolos were screaming to the heavens that the firm is not legitimate.

The CEOs running control frauds use 'their' firm's seeming legitimacy as camouflage, a weapon, and a shield. The SEC and most of the reporters the Madoff whistleblowers dealt with were unwilling to believe that Madoff and his firm could be criminal enterprises, whereas they would have cheerfully pointed out mob operations in New York City and Boston.

I have two difficulties with the "P" in "TIPS," particularly in the Madoff context. Madoff had a high pedigree, and CEOs running more sophisticated control fraud and predation schemes almost always hire top tier audit firms. Reputation is vastly more complex than economists understand. Often, the thing that gives elite CEOs their elite status and reputation is the combination of their massive fraud proceeds and their ability to 'buy' reputations. Madoff exemplifies both points. You explain how giving 400 bps of his fake alpha to Thierry bought Madoff entrée to Europe's elites. Thierry monetized his reputation by renting it to Madoff.

Casey's "S" (strategy) is phrased overwhelmingly in terms of detecting Ponzi schemes. Running a pure Ponzi operation like Madoff's guarantees that the scheme will collapse and virtually guarantees that you will be prosecuted, convicted, imprisoned, and subject to massive civil suits for fraud. "Looting" via the accounting control fraud recipe is a "sure thing" in terms of producing record (fictional) profits, huge compensation to the elite CEOs (and many others all along the food chain). It also creates a strong likelihood that the fraud will not be discovered even after the firm fails (or is bailed out).

I offer my own acronym: Fake Alpha Induced Looting (FAIL). I think it better captures your key analytical insight. "Fake alpha" is already a financial industry term. FAIL adds the key looting element that produces catastrophic failures such as Bear, Lehman, et al. Madoff illustrates our key point about the elite CEOs that run control fraud and predation schemes – the key to success is audacity, not genius!

The key to detection of both these sophisticated fraud schemes and Ponzi schemes is precisely what Frank demonstrated. He and Harry knew it was too good to be true. When they saw the trading patterns over many months, they knew that the only thing that could produce such near-perfect timing was that the 'trades' and their 'confirmations' were fictional. The only thing that could explain the pattern of reported returns was that Madoff was running a Ponzi scheme employing fictional trades.

FAIL should not be generalized to all forms of elite fraud and predation. Many forms of elite fraud and predation create Real Alpha Predators (RAP). Think of the decades of massive payment protection insurance (PPI) sales in the UK (producing 500% returns) by predating on the bank's customers. Their public explanation of their alphas is also too good to be true, for they invariably seek to hide their predation on customers.

Dr. Black is Associate Professor of Economics and Law at the University of Missouri-Kansas City and the Distinguished Scholar in Residence for Financial Regulation at the University of Minnesota's law school. He was Exec. Dir., Institute for Fraud Prevention: 2005-2007. Litigation Director, Federal Home Loan Bank Board, Deputy Director, FSLIC, SVP and General Counsel, Federal Home Loan Bank of San Francisco, and Senior Deputy Chief Counsel, Office of Thrift Supervision. Deputy director of the National Commission on Financial Institution Reform, Recovery and Enforcement. Bill is not available as a private consultant; but is happy to point anyone interested to the relevant research if they want to learn more about any of these topics.

THE OWO

THE OWO RESIDENCES BY RAFFLES IN LONDON

Introducing The OWO Residences by Raffles, Europe's first Raffles branded residences. Offering a rare opportunity to purchase a piece of Winston Churchill's legacy, 85 homes are available in the impressive Grade II* listed former Old War Office building, which has been closed to the public for over a century and will relaunch in 2022 as 'The OWO'. Having undergone a monumental and painstaking transformation over the last five years, the London landmark will also comprise the capital's first Raffles hotel with 125-rooms and -suites, a collection of nine restaurants and bars, and an immersive spa.

Charlie Walsh was hired by Westminster Development Services Limited ("WDS") in December 2020 as Head of Residential Sales. Prior to that he was Head of Sales at Lodha Group UK and spearheaded the launch of the Indian business into London with the development of Lincoln Square and then their flagship super prime scheme, No.1 Grosvenor Square. Charlie was also instrumental in the acquisition and sales strategy surrounding their latest development, Holland Park Gate.

Prior to Lodha Group UK, Charlie headed up the international department at Savills and has an extensive network of contacts throughout Asia, and the GCC where he was based for a number of years. Charlie oversees the residential sales for The OWO Residences by Raffles, utilizing his extensive global network, and working closely with the appointed agents Knight Frank and Strutt & Parker. Charlie holds an MSc in Real Estate and is also a qualified Chartered Surveyor.

FOM: What has driven the recent blurring of the lines between hospitality and residential around the world?
Charlie Walsh: I think certainly post-pandemic a lot of prospective buyers have realized that what they

enjoy most about staying in these amazing hotels around the world is the incredible service level offered and attention to detail. When the pandemic hit and a lot of hotels closed their doors, this experience was hugely missed. Therefore, to have the opportunity to enjoy this level of service, but from the comfort of your own home, is a very compelling proposition and hugely attractive to potential purchasers.

Can you break down the key attractions of branded residences over standalone homes in the eyes of HNWI?
I think branded residences have to have a genuine service offering which justifies the branding. Having branding for branding's sake in my mind is merely a marketing gimmick. The OWO will be the first Raffles branded residences in Europe, but the key attraction over, say a standalone home, will be the 5* turn-key service which will be available 24/7 to residents and moreover is right on their doorstep.

FOM: How will you ensure The OWO Residences by Raffles appeal to a wide range of buyers, and ensure that hotel guests and residents live in harmony?
Charlie Walsh: Firstly, we have a wide range of residences available - in fact, of the 85 residences, no two are alike, and they range from studios up to five bedrooms so there is a great range for all types of buyers. In terms of hotel guests and residents living harmoniously, the building has been very cleverly designed and there is a clear separation between the Raffles branded residences and the Raffles London Hotel – they even have their own entrances and exits. This means that residents can enjoy all the buzz and excitement of a 5* hotel and the 9 restaurants and bars, but equally they can retreat into their own private homes and enjoy the tranquility and privacy that offers safe in the knowledge that the residential side of The OWO is strictly residents only.

FOM: How will the residents' amenities compare to other new developments in London and globally, and have any changes been made as a result of the pandemic?
Charlie Walsh: Our residents have over 30,000 sq ft of private amenities which are completely separate from the hotel amenities. What we have all learnt from the pandemic is the need for residents to be happy and healthy should the worse happen and another lockdown be imposed. This is why for example we have a private landscaped Residents' Garden, which is a wonderfully tranquil outdoor space purely for the residents to enjoy.

FOM: Raffles is the latest high-profile hospitality brand to establish a residential offering in London; how do you foresee the fortunes of the capital in the wake of the pandemic?
Charlie Walsh: There is a lot of conversation in the press about the return of the roaring Twenties and I really feel that with The OWO opening towards the end of next year, it will perfectly capture this pent-up demand of people wanting to go out and experience all that London has to offer, and this means creating experiences and memories with friends and family, be it having a drink on our spectacular rooftop or a special meal in one of the 9 restaurants. I think we're going to see this experiential explosion in all things cultural and culinary as people emerge from the lockdown.

FOM: What proportion of purchasers are you expecting to originate organically – i.e. converting from Raffles hotel guests to owners?

Charlie Walsh: Raffles has a wonderful core following of loyal guests who understand just how special the brand is. We are getting a number of enquiries from hotel guests who are keen to find out more about the first Raffles Residences in Europe. As with many repeat hotel guests, there comes a time when it makes more sense to own your own home rather than having extended stays in hotels.

FOM: What makes Whitehall, London such a desirable neighborhood?
Charlie Walsh: As powerful global addresses go, this has to be right up there as one of the most famous. Whitehall has an amazing history and heritage with the House of Lords and Westminster Abbey at one end, followed by Trafalgar Square and The National Gallery at the other end. In the middle of Whitehall and opposite The OWO there is the world-famous Horse Guards and beyond which you have access to the 57 acres of St James's Park – all of which is less than 30 seconds walk from your front door.

FOM: How does this project compare to other super-prime schemes that you have been involved with?
Charlie Walsh: I think the main difference is the sheer size and scale of the project. When finished, The OWO will consist of over 760,000 sq ft. Secondly, the biggest difference is working on a project with so many different moving parts and commercial elements, from the spa to the hotel, to the restaurants and of course the 85 residences. It truly is a one-off.

FOM: Very few buildings globally have The OWO's kind of provenance; what is your favorite story or fact attached to the site?
Charlie Walsh: For me personally and as an avid James Bond fan, the fact that Ian Fleming drew such inspiration for his character from The OWO and that no less than five James Bond films have been shot there, in my mind makes it a pretty special building. One can't but help feel swept up in all the history and heritage of the building when you're standing on the rooftop overlooking Horse Guards and St James's Park surrounded by all those fluttering Union Jacks......it's a pretty special sensation.

FOM: What have been the biggest challenges faced by the project team to date?
Charlie Walsh: Keeping a site open and safe with over 1,000 tradespeople is no mean feat, but we're lucky enough to have a great project team with a real 'can do' attitude. Probably the next biggest hurdle has been the procurement and timely sourcing of materials during the pandemic coupled with the challenges brought by Brexit, but we have an incredible contractor working with us who has managed to keep the project on track.

www.theowo.london

GRANTING TRUST

by Mark Rzepczynski and Frank Casey

Fraud occurs around the globe. It can happen with simple transactions and with large regulated corporations. It cannot be eliminated but the impact on family wealth can be controlled and minimized. It is often a matter of trust. Fraud, wrongful deception for gain, cannot occur without a trusting client or investor. If you trust or believe others too much, you will be open to fraud. Trust too little and life becomes impossible. Wealth and bigger sums per transaction increase complexity associated with trust. Many service providers and managers are apt to believe that you will not take the extra time to verify trust, "You can afford to trust, you are rich."

The old adage says that trust should be earned, but it takes time, which is not always available. Additionally, how trust is earned or verified is not always clear. It is a problem yet solving trust issues will help reduce the threat of fraud. Trust assessment is fraud prevention.

Trust varies highly by culture and society. For example, Anglo-Saxon cultures places a high trust in contracts. Performance is based on what is written and trust does not have to be given in person. For others trust only comes through family. If you are not in my clan, you will not be trusted. Trust in modern societies is often structured through third parties with regulatory oversight and the legal system. Mechanisms exist to enforce good behavior, but that can actually cause some to let down their guard. Switching from individual trust verification to institutional verification is efficient but does not eliminate fraud problems. All institutional oversight is not the same, and working through regulatory and legal system after fraud occurs is time consuming and expensive. Some of the largest frauds have occurred in the most regulated market. The Wirecard corporate fraud from an exchange listed and regulated firm is a recent example. Market trust can come through branding, yet again some of the largest frauds were associated with large institutions or brands that were well-known. A strong brand causes many to let down their trust guard. The crowd has endorsed someone; therefore, I don't have to do due diligence. Broken trust is more than fraud but also the simple issue of false expectations. Failure in trust can be based on not getting what was expected, at worst potential forms of criminal behavior and at best a miscommunication failure.

It is hard to imagine a world without trust. Trust when it works allows for shorthand in relationships and a more efficient economy for all parties. I don't have to verify all the details. I don't have to make a detailed contract for all contingencies. Performance is implied with trust. Without trust, commerce and all human interaction will grind slower and be less tolerable. So how can trust be supported and approved?

Although counter-intuitive, depersonalizing the initial review of anyone you are working with can serve to minimize the trust problem. Due diligence is a formal trust process. It is not an issue of trusting the person, but the process. Beyond regularization, the process should not be one and done.

The wording is simple, "No offense, but we have a regular due diligence review for all parties, thank you for your cooperation." A formal process allows for walking away without having to confront the uncomfortable issue of suggesting you do not trust someone or that trust has been breached. There should be levels of trust. Wariness should increase with the potential for harm either physical and financial.

The threshold necessary for trust should also be situational. There are clear conditions that allow fraud to occur. Newness such as new technology should be matched with wariness. Of course, most want to be part of new technology yet technology or investment that are hard to value or assess will be ripe for fraud and disappointment. Similarly, guard should be raised with any fad or fashion which is driven by media.

The buzz associated with something that "everyone has to have" is a place for future disappointment and potential fraud. Universally, fraud prevention is first about tempering optimism and second solving the problem of trust. Changes in regulatory environment or situations that try to exploit differences in regulation should raise concerns. There are some simple steps that can help with this process before problems can arise. At the other extreme is complacency, choosing managers and advisors without review creates incentives and opportunities for fraud or a lack of performance. Buyers and sellers of services such as lawyers and auditors who are complacent will find that expectations are often not met.

Trust or risk management requires discipline outlined by a simple process anagram TIPS, that details both qualitative and quantitative due diligence metrics.

- "T" stands for Third-party verifications. Separate functions generate paper trails providing checks and balances. Bernie Madoff was manager, broker, custodian, and administrator, a titular head who would control the crime; no in-house or outside verification was permitted!
- "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. How are duties segregated? What transparent reports are generated, and how often?
- "P" stands for Pedigree. One can delegate authority but not responsibility. Look at the management company, its domicile, its representatives, boards or trustees and their internal as well as external dealings with auditors and investment personnel. Do they have institutional grade reputations?
- "S" is for Strategy. Qualitatively, do your investments and their returns make economic sense? Are they market driven rates of return, having correlation or beta to a relational benchmark index? If so, then begin a risk analysis to determine risk-adjusted rates of return. Due Diligence risk-metrics must be performed on real numbers, Madoff's were phony!

Due Diligence as a trust builder is both qualitative and quantitative, but not rocket science; it simply requires common sense and some math skill. In fact, the first three "TIP." factors are qualitative metrics that any investor can execute. "S" is both a qualitative and quantitative market savvy metrics, and some require added advice.

Trust is not all relational. It can be built and rewarded, but it is driven by a process. Follow a process and doubt will be reduced. Process driven trust will always reduce the anxiety and costs when trust is broken and disappoint with expectation or fraud occurs.

Authors: Mark and Frank coordinate their skills when counseling victims of large trust and corporate frauds. They work with forensic accountants and legal advisors to develop coordinated plans using smaller fees and larger contingency awards.

Mark Rzepczynski runs AMPHI, a research and advisory firm for institutional money managers. He was past President and CIO at John W. Henry & Co., an iconic Commodity Trading Advisor, headed fixed income research at Fidelity and was a finance professor. Frank Casey managed corporate/bank risk for 45-years and was partner with Harry Markopolos as whistle-blowers on Bernie Madoff's $50B Ponzi.

BOOMS, GREED, AND THE BEZZLE FRAUD IN INVESTMENTS

by Mark S. Rzepczynski

"At any given time there exists an inventory of undiscovered embezzlement in — or more precisely not in — the country's businesses and banks. This inventory — it should perhaps be called the bezzle — amounts at any moment to many millions of dollars. In good times people are relaxed, trusting, and money is plentiful. But even though money is plentiful, there are always many people who need more. Under these circumstances the rate of embezzlement grows, the rate of discovery falls off, and the bezzle increases rapidly. In depression all this is reversed. Money is watched with a narrow, suspicious eye. The man who handles it is assumed to be dishonest until he proves himself otherwise. Audits are penetrating and meticulous. Commercial morality is enormously improved. The bezzle shrinks."

The economist John Kenneth Galbraith coined the term "Bezzle" to describe the fact that there is ebb and flow of fraud across the business and financial cycle. Put succinctly by Warren Buffet, "It's only when the tide goes out that you learn who has been swimming naked." Unfortunately, waiting for the tides, a market correction, or the change in business cycle does not help investors with uncovering their fraud risk before it costs real money. However, understanding conditions that are more likely for fraud can be helpful with managing assets and protecting wealth.

While there is a cyclicality and some known characteristics of where and when fraud will occur, investors need to understand that fraud is every present and can seep into our daily dealings and not just investments. Some have estimated the level for fraud even from public companies in not trivial and can easily reach into the billions, and this is with regulated firms. It often not the norm to discuss ethics and morality, the foundations of following good has been the bulwark against one person taking advantage of another. When greed is considered good by both investors and managers, fraud is not far behind. Still fraud research suggests that the idea that it is all based on a criminal's cost-benefit formula of gains versus the probability of getting caught times punishment is too simple. Fraudsters will seize opportunities regardless of business environment or market cycle.

Fraud is related to income levels. Higher income countries and jurisdictions will have less fraud and corruption has shown to increase during periods of decline income or recession. Fraud is more likely to be found during periods of business cycle downward adjustment. However, fraud preys upon specific groups like the rich and the elderly. While many think that smarter people can protect themselves, they are not immune to a storied investment idea too good to be true. Fraud is often centered geographically with some cities and countries being more engaged in lawless behavior. Fraud is also contagious – someone will be more likely to engage in fraudulent behavior if others around them are doing taking illegal actions. Additionally, cultural differences allow or accept more corruption and fraud. Investment review should be jurisdictional, regional, and firm specific.

For Galbraith, fraud is more likely during boom periods when the economy is awash with funds, stock prices are rising, and there is a FOMO mentality (Fear of Missing Out) by investors. An environment of investment euphoria (high past returns) is perfect for mixing greed and fraud and is only enhanced when interest rates are at extreme lows or negative. Called the reach for yield, investors will take more risk either wittingly or unwittingly just to gain some return on cash. Behavior to grab for extra return sets the table for those who are willing to take advantage of an investor's lack of skepticism.

Investors want to catch the next wave of innovation and be able to tell others of their success and not discuss those deals rejected. As stated by JP Morgan, "Nothing so undermines your financial judgment as the sight of your neighbor getting rich." Disruptive innovations and changing of the rules of the game or regulation are also prime areas for fraud. Ignorance of what is new allows for a wedge of ambiguity that fraudster may use for their advantage.

Booms or market bubbles will occur similar to when there are conditions necessary for good fire – speculation that provides heat, fuel that comes from cheap credit, and oxygen which comes from marketability, getting the investment in the hands of many. This fire triangle is also present with fraudulent investments. Fraud can occur with public investments, private investments, from large and small firms, and from those both regulated and unregulated; however, generally, lower investment transparency will create opportunities for deception and misrepresentation.

The wealth problem will occur when markets start to fall, and fraudulent Ponzi-like schemes based on cheap financing and overvalued assets cannot continue. Economists like Hyman Minsky discuss how stability begets instability as levered investment which cannot be easily paid off will grow and require more financing to be sustained. This Ponzi financing can be fraudulent from the start or can be a natural extreme from a period of investment euphoria. Both create financial instability and credit downturns have revealed both.

Revised asset valuations will hurt most companies, and some will say failure is just bad luck, but market corrections are also times of revelations on honesty. Fraudulent behavior cannot be maintained if there is less cash flow during market disruptions or regime changes. Market change also generates review of investment portfolios and professionals which increase the likelihood of finding fraudulent behavior. Of course, in the downturn, no one admits to investing in former hot investments. Everyone flaunts their conservative eye for avoidance while often holding their losers.

In a charged environment like today, careful due diligence is often viewed as old school prudish investing. It is even more difficult when faced with new technology and innovation which may be hard to evaluate. High uncertainty increases the risk of any investment gamble, but also creates an environment for those to loot based on false promises.

So why does it happen? Economists have grappled with this problem in many forms and it all rests on the issue of asymmetric or different information between you the principal and your service provider, the agent. When there is differential information, such as an agent having more information than the principal, there is the potential for abuse through deception or just not meeting expectations. Without transparency one party can take advantage of another, yet due diligence and monitoring is expensive and time consuming. Attempting to write contracts to cover all contingencies and monitoring is almost impossible. Principal-agent problems can occur even with fiduciaries acting as service providers for investors. The problem for investors is determining the right level of effort in monitoring to minimize being disadvantaged. Some may rely on high trust, others use government regulators as the monitor, while others will employ a combination of size and reputations. None are perfect, so the focus is placed back on you the principal to do your own work.

The current environment of high valuation and uncertainty is treacherous for any investor, yet the likelihood of fraud makes for an added risk that is often not priced in the market. Hence, a complete investment review is even more relevant through a simple two-part question. One, is the rationale for holding this investment still valid? Mark-to-market your investment thesis. Two, have I done a full due diligence of the agents representing my investments and do they meet the highest standard of excellence with aligned interests? This process of review should be habit that can start now to offset the boom, greed, and bezzle.

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THE BMW PRIVATE OFFICE

YOUR PERSONAL CAR BUYING SERVICE.

BMW

BMW Park Lane launch their Private Office Team, formed to redesigned your car buying experience in Mayfair, in the heart of London. The team of professional consultants based at their office on Park Lane can help you get into the perfect BMW that suits your needs and provides absolute convenience for you and your lifestyle.

Their Private Office can deliver luxury from start to finish. Begin with a purchase consultation at an offsite address suited to the client, to help shape your own BMW to your requirements and identify the right model. The team are then on hand to offer expert guidance and advice on which BMW may suit your needs best, and anything to take into account with your personal situation.

As a BMW Group owned entity, Park Lane provides access to unique stock that is exclusive and not available in the UK, giving you confidence your BMW is truly one of a kind.

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

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

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

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

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

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

www.bmwparklane.co.uk

FRAUD – IT IS EVERYWHERE EVEN IN OUR PUBLIC COMPANIES

By Mark Rzepczynski

There is the assumption that most fraud is often a private or personal affair. It is done to you. You are violated. You are taken advantage. It may hurt more when there is a failure in personal trust, yet fraud occurs more frequently than most assume on a very public basis. Some of the largest frauds have occurred through public companies who are listed on major stock exchanges, audited on an annual basis, and must meet stringent regulatory requirements.

Many layers of professionals can be fooled or complicit with large firm fraud. Public and regulated firms that have third party reviews and extensive compliance professionals can still generate fraud and act in an unethical manner. Investors need to always include the possibility of fraud existing in their public holdings.

A group of researchers focused on the fall-out after a large audit firm, Arthur Andersen (AA), failed in the aftermath of the Enron fraud. (See "How Pervasive is Corporate Fraud?" by Alex Dyck, Adair Morse, and Luigi Zingales.) In this case, many firms had to switch auditors which provided an opportunity to review firm behavior with a fresh set of eyes.

For their definition, fraud would include any form of misconduct or alleged malfeasance. They looked at auditor-detected securities fraud, SEC Accounting and Auditing Enforcement Releases, and financial misreporting not due to clerical errors. There conclusions are surprising and saddening.

In normal times, only one third of corporate frauds are detected. On average 11% of large publicly traded firms are committing securities fraud every year. In an average year, 43% of companies misrepresent financial reports. When these figures are coupled with estimates of detected and undetected fraud, corporate fraud can destroy 1.7% of equity value every year and from their estimates may have reached $744 billion in 2020. US securities law changes like Sarbanes-Oxley (SOX), which mandated more stringent record keeping and reporting for corporations, has increased the cost of compliance and may have reduced the probability of fraud; nonetheless, there is still an economic cost finding and controlling fraud.

Think about the size of this number. With all the audit, regulatory, and asset management reviews, the costs may still drag down performance by over 1.5%. Even if their estimates are exaggerated by a factor of 2, the fraud impact is high. These estimates are for the United States. It should be expected that fraud levels may be even higher in emerging and frontier markets where the same standards of audit, compliance, and regulatory review may be lax. Fraud is like an iceberg, only a little is seen, and the majority remains hidden waiting to place a hole in an investor's portfolio hull. It may not sink the ship, but the damage can be extensive.

Corporate fraud risk is not priced properly in the market. Event studies looking at market behavior after fraud disclosure shows abnormally negative returns. Nevertheless, the probability of possible fraud can be measured through an F-score using calibrated accounting numbers such as accruals quality variables. Based on this scoring, it has also been found that firms that have the highest fraud risk earn low stock market returns, so that a portfolio of going long low fraud risk and selling high fraud risk will generate significant abnormal returns.

These fraud costs are not going away because new frauds are being introduced all the time. With the introduction of Environmental, Social, and Governance (ESG) ratings, there has been found a growing number of cases of green washing, the attempt to portray better environmental behavior than what actually exists.
What can a family do? There is a simple rule of just knowing what is in your portfolio. Even if you have professional managers handling your investments, there should be regular reviews of all portfolio holdings including mutual funds, ETFs, and managed accounts. Asset manager can violate trust as easily as corporate firms.

It is almost embarrassing to know that the likelihood of fraud can be significantly reduced by just reading disclosures. For example, US investment advisors must file a form ADV which requires information about an advisor's business, ownership, clients, employees, business practices, affiliations, and any disciplinary events. Eliminating business with the poorest advisors will have an appreciable reduction in fraud risk.

However, a key question is how a fraud review should be conducted as an adjunct to any normal review. Looking for fraud should not be the same as a portfolio holdings review. Many successful high returning firms have been engaged in fraud, so market performance is not the key criteria for measurement.

- What are the country and exchange financial protections and who is auditing the firm? Financial protections will vary by country and by who is conducting firm audits. A risky regulatory and trading environment should always be compensated with higher returns.
- What do financial and regulatory reports say about compliance and ethical behavior? Surprisingly, significant information on prior bad behavior is available, but it must be accessed and reviewed.
- Has there been any restatement of earnings or large surprises? Restatements or surprises are always a strong suggestion that there may be accounting issues that should be investigated more fully.
- Do risk disclosures and any financial footnotes suggest irregularities? Problems are often disclosed for those who look. Footnotes will often suggest financial problem if they are read.
- Is the firm an outlier relative to others in their market sector? Firms within an industry will often be correlated. An outlier may suggest superior behavior but also something irregular.
- Do you understand how the firm makes money and their strategy for success? This critical issue is simple – can you describe the firm's business and strategy for generating shareholder value? If you cannot explain the firm reason for being, it should be avoided.

Can this review process be delegated? In an efficient market, it is believed that the market will find and price these risks appropriately, and large managers or focused Wall Street analysts will do the work necessary to protect you and other investors. Unfortunately, the evidence tells a more nuance story. Whether German financial firms, Chinese real estate developers, or US biotech firms, sophisticated investors have been fooled and caught in bad investments associated with fraud. You can accept that you also will be a victim like others in these cases and take solace that you were not alone, but that does not seem to be an appropriate way to protect wealth. You can control and assess these risks.

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WHY THEY DO IT:

INSIDE THE MIND OF THE WHITE-COLLAR CRIMINAL

by Eugene Soltes

Frank Casey and Mark Rzepczynski each met with Eugene on separate occasions spanning several months to discuss his work. Frank was referred by a mutual friend, an FBI Fraud Unit Special Agent who had shared the dais with Eugene and was fascinated by him and his research. The following is a paraphrased rendering of our notes, readings and discussions.

Frank/Mark (F/M): We read your book; it offers great insight into the criminal mind.
Eugene Soltes (ES): "I tried to go deep into the minds of nearly fifty executive white-collar criminals. It was a 7-year effort interviewing the men behind the largest corporate crimes in history--Enron, Tyco, Bernie Madoff and Allen Stanford. I combined my notes from visits, phone calls and letters with psychological, sociological, and historical research to analyze the dark side of the business world."

F/M: You avoid simplistic explanations of why seemingly successful executives engage in crime.
ES: "Actually, white-collar criminals are not merely driven by excessive greed or hubris, nor do they usually carefully calculate the costs and benefits before breaking the law and seeing whether it's worth the risk. Instead, most of these executives make decisions the way we all do--on the basis of their intuitions and gut feelings. The trouble is, these gut feelings run counter to law and the general social good. These corporate execs often receive immediate gratification and don't feel angst, guilt or shame that most of us would."

F/M: What demography and commonality was found?
ES: "Many of these men, most of those sanctioned for serious white-collar offenses are male, are brilliant and had lived distinguished professional careers. Despite their considerable success and achievement, each of these executives ultimately engaged in conduct that caused tremendous harm to their organizations, their employees, their investors, and their own families. Popularized explanations focusing on greed, money, and fame are all appealing in their simplicity and certainly can contribute to myopic choices and poor decision making, but they are also superficial explanations of why some people do, and others do not, become white-collar criminals."

"I tried to present a better appreciation for the complex and multifaceted organizational and psychological factors that contribute to business malfeasance. The commonality is that most of the obstacles that I discuss are ones to which we are all susceptible. Many of us regularly engage in small acts of deception, but our small self-deceptions do not lead us down a slippery slope of crime. We have governors that regulate our limits, criminals often do not. They may be sociopaths in that regard."

FM: "Do criminals plan their crimes, or do they ease into crime to achieve success or support a perceived greater good theory?"
ES: "An example might help here. An e-mail I received started eed to speak with you if possible, today and briefly concluded with " to decide what I'm going to do before this goes too far down a road." This manager of a growing multinational enterprise had discovered that several directors had deliberately altered some records to help the company achieve a record-breaking quarter to be announced the next day. If he exposed their crime, the company's much-needed funding would likely be lost. Yet, if he did nothing, he would be complicit in the fraud. "Do the right thing" is easily touted, but very hard to execute when survival is on the line." "Looking back on their actions, criminals say, "It just didn't seem that significant at the time." But past actions often magnify results over time. We would all benefit from fewer people engaging in misconduct, but unfortunately most efforts to mitigate such adverse decision-making fall flat. We try to cultivate a better moral compass, stronger values, and greater authenticity to avoid joining the ranks of criminals, but we cannot know how we will precisely respond when pressed. Every action could have knock-on effects. Self-training helps, but most business decisions are not blatantly trading-off good versus evil. Judgments often are made in the gray fog of competition where we need to win. Such judgments are difficult, imperfect, and not subject to close scrutiny. We have to exercise disciplined self-awareness to guide our decisions."

F/M: Individual morality is good, but what about corporate morality?
ES: "Businesses spend a tremendous amount of money and consume a significant amount of time on compliance programs. Yet, as I am sure many readers have experienced themselves, sometimes these efforts are little more than "check the box" exercises that help insulate companies from liability. Criminal law is a blunt instrument that does not substitute for the weaknesses of these aforementioned efforts. Lengthy prison time is often held up as the ultimate deterrent, yet executives often feel a sense of immunity from such punishment. It is surprisingly easy for people to delude themselves into believing that prison is only for "bad" people, not individuals who go to the best schools, work at the world's most celebrated organizations, and lead seemingly respected personal and professional lives. This obliviousness to consequences is not limited to the senior-most business leaders. We worked with other researchers in asking large swaths of managers about cheating. Nearly 60 percent of managers expressed a willingness to deceive investors in at least one of the situations we presented to them: a bribe, a fraudulent accounting entry, or an inappropriate use of company data. Although the headline-grabbing cases of malfeasance capture most of the attention, the day-to-day deception that undermines the integrity of business institutions is just as problematic. In fact, focusing on only the senior-most executives who engage in criminal offenses can lead to a false comfort that serious misconduct is not actually all that frequent. My goal is to focus on exploring the basic question of why people engage in misconduct rather than to provide any easy solutions."

F/M: How are you building on this body of work?
ES: "We realized that there was a lot of demand to apply data driven innovations in practice. In 2020, we launched Integrity Lab to support integrity culture and compliance in a data-driven way. . We're working in collaboration with more than a dozen Fortune 100 companies, startups, and numerous government agencies to develop analytic software that fosters integrity through rigorous, data-driven insights. We try to proactively mitigate some of the most difficult issues facing clients, including fraud, bribery, and harassment."

F/M: So, what are we to do?
ES: "I want to leave readers with two thoughts that inspire me to believe that there are opportunities to more innovatively tackle corporate malfeasance. Today, data on how we confront and make decisions within organizations is significantly more accessible than at any time in the past. By identifying the specific circumstances in which individuals are likely to be compromised, we can find opportunities to more effectively intervene before that harm is done.

New employees are often perceived as being the most likely perpetrators. Yet, when one actually looks at data on thousands of employees who violate company rules and polices—some minor and reckless, others egregious and deliberate - most likely offenders are overconfident individuals with lengthy experience."

"Secondly, by identifying potential bribes, anti-competitive trade practices, and internal investigations that were not performed with the rigor that employees and managers expect, we can engineer ways to improve business integrity. Data analytics can help identify issues that might otherwise go unobserved, but people are still at the forefront of spotting conduct that does not comport with their expectations of what is appropriate and honorable."

F/M: Thanks for your insights and guidance for avoiding and detecting white-collar crime!

Eugene Soltes is the McLean Family Professor of Business Administration at Harvard Business School. His research on corporate malfeasance has been cited by the Wall Street Journal, Financial Times, USA Today, and Bloomberg News. He received his PhD and MBA from the University of Chicago Booth School of Business and his AM in statistics and AB in economics from Harvard University.

ROLLS-ROYCE CELLARETTE

By Ty Murphy

BESPOKE WHISKY AND CIGAR CHEST

The House of Rolls-Royce is delighted to present the newest addition to its portfolio of collectables, the Rolls-Royce Cellarette. Containing an array of accoutrements designed to perfect any soiree, the Cellarette derives from the marque's rich heritage of providing clients with effortless and affable hosting opportunities. The Cellarette will both surprise and delight those who encounter it.

The Cellarette epitomises true Rolls-Royce style: precision engineering, exquisite hand craftsmanship and a breath-taking presentation of luxury. The polished aluminium chassis, enveloped by embossed Rolls-Royce Havana leather complete with an Obsidian Ayous Open Pore veneer serving tray with Spirit of Ecstasy inlay, makes the Cellarette the perfect accessory for any Rolls-Royce owner with a passion for convivial hosting. Although the Cellarette will fit into the rear of any Rolls-Royce, it truly comes into its own as a centrepiece at an al fresco dining experience, or as an accompaniment at an intimate gathering.

Nicholas Abrams, Bespoke Designer, Rolls-Royce Motor Cars says: *"The Rolls-Royce Cellarette, the latest addition to the Rolls-Royce Connoisseur's Collection, offers our clients new ways to enhance their lifestyle beyond the experience of their Rolls-Royce motor car. Historically, Cellarettes were used to secure wine and spirits. This bespoke chest can be configured to stow aperitifs or digestifs, dependent on the client's preferences, alongside prized cigars, in a spectacular fashion."*

The dark exterior opens to emit a warm ambient glow. Armagnac leather highlights are accentuated by a soft light, evoking the atmosphere of a distinguished Members' Club. An array of beautiful accessories are revealed in a mechanical fashion, mirroring the opening of the coach doors of a Rolls-Royce motor car. Once unfurled, the client is presented with hand-blown lowball glasses, each exquisitely finished with the 'RR' monogram. These glasses rotate outwards as the unit opens, evoking a charming sense of theatre.

In unison with the glasses, a magnificent Armagnac leather-lined bottle pannier is revealed. The 'RR' embellished holder can adapt to different bottle sizes, with the bottle held in place magnetically by a polished aluminium fastener, ensuring safe stowage of any one of the client's preferred refreshments. At the opposing end is a humidor which, when opened, offers the user a cigar tray. Cigars are nestled in Spanish Cedarwood at the chosen humidity level for optimum enjoyment, a measure that is precisely monitored by a hygrometer. Featuring unique detailing, the hygrometer recalls the hands of the fabled Rolls-Royce clock.

Accompanying the humidor are the perfect accessories for the cigar enthusiast. Magnetically held at either end of the cassette are two smaller containers – one for an intricately detailed cigar cutter and lighter, made by S. T. Dupont, Paris, and engraved with the Spirit of Ecstasy Expression, and the other for an ashtray. To ensure compact transit, the ashtray's cigar cradles extend only once the container is opened.

The Cellarette represents The House of Rolls-Royce's commitment to producing the finest luxury products and experiences for its patrons, well beyond the confines of the automotive environment. Like any Rolls-Royce product, the Cellarette can be tailored to the client's exact specification.

The Rolls-Royce Cellarette is available to acquire through Rolls-Royce dealerships, with prices starting from £40,570 excluding local taxes.

LEVERAGING EXPERTISE VIA PEER-TO-PEER INVESTING

Exclusive interview with Barry Dorfman by Paula Moats.

Paula Moats (PM): I spoke with Barry Dorfman (BD) on building his professional peer-to-peer co-investment platform with other family offices who conduct deep due-diligence. Barry is a wellness enthusiast with a keen eye on innovation.

PM: Barry, please tell us about yourself.
BD: I am a physician by training. I practiced medicine in Florida from 1982 until 1992. My partner is a neurosurgeon and we opened up 28-medical rehab centers in Florida during that period. In 1993 we were acquired and were able to retire.

I started making investments more in the health tech health and wellness space in Palo Alto and in Israel. I made a significant investment in an unrelated business with my next-door neighbor who is a multi-billionaire now. I took a board seat with him and joined the executive committee. That resulted in an exit in 2002 when Deutsche Bank acquired us for $1.2 billion.

At that point I started my family office in New York City where I have seven full-time employees. In Florida we have five full-time employees in Boca Raton, three part-timers in Miami, and a one-person office in Seoul, Korea. So, I have full support to keep me on mission.

PM: Barry, how did you establish a peer-to-peer investment platform for yourself?

BD: Each of my team members are impressive individuals. Some are accomplished entrepreneurs in their own right, and they work closely with me and one another, advising on the scientific efficacy of potential investments. This helps our individual portfolios but together we strive to positively impact the world .I believe in the power of innovation, the bedrock of science and the urgent need to help people be well.

My investment thesis is something that for which I wish I could take full credit. I must credit Donald Trump for connecting me with the billionaires at Mar-o-Lago where I am a member. Meeting successful industry experts in particular sectors was pivotal. Seventy-three of my investments are with other families or industry experts. I have done a hundred and seventy-nine investments since 2005.

I maintain a rigorous schedule beginning with calls to family offices and colleagues in Asia every morning, then continuing around the globe until the end of the day. Our conversations, while always centering around the investment landscape, cover a wide range of topics.

PM: It is fascinating that given that you are a doctor by training your bias towards science and medicine come through in your investments.

BD: I do have a bias in the health tech space, life sciences health and wellness, food and beauty and anything that can assist with sustainability. I focus a lot on how the area of artificial intelligence machine learning has accelerated everything from drug discovery to radiology to gynecology throughout every area of medicine. Telemedicine digital health is a very strong part; for instance, I am an early investor in Teledoc. I am an early investor in Epic which is an EMR company.

Though earlier, I failed multiple times by making investments with other physicians because it was too premature, I re-focused on health-tech, med-tech and life-sciences as I am always looking for innovation.

PM: Barry, you work with a number of people who vet the science for you so that you get a very clear 360 view of something before you dive in.

BD: Correct, I have a full team. I have two CIOs, chief investment officers, one in New York City and one in Miami, both of whom have totally different skill sets. One is more on the financials and one is more on the data. Regarding the science I have four analysts, two junior and two senior analysts. Something that I learned after making mistakes early on in investing, was using platforms that match buyers and sellers. I would look through all these different deals, and many were terrible.

Then I thought to find advisors or a specialist in each of those medical device areas and let them vet the opportunity. It was like Google that puts the good stuff on the top for me to evaluate! Really that is what I have done with my family office. Dr. Rossbach is my chief medical advisor. We met many years ago in Singapore at the Michael Milken Conference on life sciences Everything that I look at, I run by him first for a quick check on the science. Once he approves the science, I then bring it to my staff, to look at the finances, check references ; basically, they execute deep-due-diligence before I make a decision whether I am going to invest or not. They all help to focus my decisions, each advisor to their specific skill-set, working as a team.

PM: What stage do you like to invest, seed to IPO?

BD: Obviously everything has accelerated since the pandemic. Digital health and the plug-ins to digital health are very strong. I think it is going to be here for a long time. It still can be perfected and I really have taken on that new passion. I have spent a couple years looking at medicinal psychedelics, and I specifically bring that up because I think we are not out of the pandemic yet. But post-pandemic, we are going to have a lot of behavioral health issues, whether it be opioids, alcoholism or depression. Of course, diabetes is a big area as is cancer; I'm passionate about those potentials as well.

Dr. Michael Rossbach is a specialist in immune oncology. I have to make
a special note about dementia, Alzheimer's and Parkinson's. My father passed away from Parkinson's. Some very big charity donations to the Michael J.Fox Foundation kept him alive with experimental research for quite a while. Also, I like things that are close to FDA approval or FDA approved rather than early-stage deals. It is a very long hurdle to go from early-stage brilliant ideas to commercial applications, so I want my experts to cut the investment horizon and the risks.

I also draw ideas from life. Medtech is a long evolutionary cycle, and sometimes I see potentials quickly. Let's look at dermatology. I am in Florida, in the sun all the time. So, I went to a physician and he took a couple of scrapes of me. He biopsies them and they always turn up negative. I know why he is doing that. He makes a thousand dollars versus the $200 per visit. But, there is no long-term reference point for me when I come back a year later. Then I see artificial intelligence recently created - machine learning where one can walk into a cylinder that does a 360 high resolution picture of you. The A.I. determines for the doctor which areas look suspicious and it keeps the baseline in the database.

PM: Do you seek investments, or do they come to you?

BD: I am always looking at opportunities, but I have been very blessed to have that ecosystem: 73 of my investments are with other specialist families. My team goes through all the funds and investments that I have made or are considering. They go through the capitalization tables and they find other families globally and domestically that are co-invested with me. Then they arrange a phone call for me and on that call, we exchange and share ideas and mandates. They are constantly looking at deals and potential co-investments for me. Due-diligence often runs 3-12 months per deal. The specialist investors team have done their due diligence which helps my due-diligence, insights and decision making. These specialist co-investors have either invested or are about to invest, which then speeds up my investment committee's approval process.

PM: So, no wonder you are busy on the phone all-day, every day.

BD: I enjoy the learning process. I ask, "what are you looking at in this particular space?", and then they can come back to me whether it's a fund or whether it's a direct investment. Then I run it by my advisors first before it goes to my investment-committee. Then it comes back to me for an investment decision on yes/no, size and duration.

PM: Can you share with us whether you invest in seed-stage or late-stage or IPO?

BD: I will do seed to pre-IPO. We are in a very interesting time in the United States because of the valuations. I looked at a company yesterday which had two-million-dollars in revenue and yet they had a half--billion-dollar evaluation. It really did not make sense to me! I am finding different sectors that have similar technology at more reasonable valuations.

PM What is the size of your typical investment range?

BD: When I started, an investment could have been a hundred-thousand to a million-dollars. Now just to give you an example, seed in Silicon Valley is three million dollars. We do not know a lot of people who will or can write a three-million-dollar check for seed startups. I typically like to write three to five million checks into real estate. I will go smaller than that one to three million in venture.

A lot of people of course as soon as I tell them that, all of a sudden, they say," oh we can use $10 million or we can use $5 million." This is even though they are only raising a million. I always tell people to not dilute themselves from an equity position just because of me. I am really speaking to the providers, which in the United States at least, are the gatekeepers. So, you can come up with the best widget for cardiology, but if it is not accepted by the payers, then it is highly unlikely that the hospitals will adopt it. I advocate for processes that I understand and are disruptive, I often use what I invest into so that I know how it works on the ground level.

PM: It is good that you are a consumer as well as an investor.

BD: Yes, but most importantly, I work with talented people, staff and external industry experts who are doing their own deep-due-diligence for their family investing. Great ideas are nothing without vetting, guidance and co-investment.

PM: Thank you Barry for your insights.

Paula Moats is Managing Partners of Casey Moats Consulting and Casey Moats Andreoli Partners, Paula has developed an outstanding proprietary client base of clients, partners and funding sources including domestic and off-shore institutions, sovereign funds, ultra-high net worth individuals, private equity and venture capital funds, merchant banks and hedge funds in the US, Europe, Asia and the Middle East. Her previous firms include E.F. Hutton, Brown Brothers Harriman, Merrill Lynch, Smith Barney and Lehman Brothers. She is a graduate of Bryn Mawr cum laude and serves on many "not-for-profit" and civic Boards.

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FAMILY OFFICE ESTATE PLANNING: FUTURE-PROOFING FAMILY WEALTH

What is the role of family offices, and how can they future proof family wealth? Family offices are bespoke wealth management service entities catering to one or more families. According to the most recent UBS Family Office Report, their core services are strategic asset allocation, risk management, real estate management, accounting, and reporting. Typical family governance structures confirm these findings since they are predominantly designed around investment guidelines, monitoring of investments, and investment process guidelines.

For single and multi-family offices, their core service offerings are mainly investment-related activities, which is why many wealth owners worldwide decide to work with them. Family offices make a difference in service quality and delivery in those specific activities compared to traditional wealth management offerings.

Markus Schwingshackl
Centro LAW

The largest wealth transfer

We are in the middle of the most significant wealth transfer to the next generation in history. Therefore, estate planning is inevitably gaining importance, and families need to balance their governance frameworks with the next generation's expectations to ensure wealth preservation and transfer over generations.

However, research shows that only 27% of family offices currently perform estate planning services in-house. The reasons are many: estate planning is still external providers' domain expertise, wealth owners often see it as a one-off exercise, family offices may not see the necessity to expand their capabilities, and the topic can be intimidating and uncomfortable.

The current generation may feel uneasy discussing such sensitive matters, deem their successors still too young and not want to relinquish control. In contrast, the next generation requests more transparency, involvement, a clear understanding of the purpose of family wealth and sees themselves as transitional wealth owner for the following generations.

At the Family Office Magazine Conference 2022, an expert panel discussed how family offices contribute to estate planning and shared their views on the industry's status quo, the importance of governance, specific solutions, and their outlook and recommendations.

The industry's current state

Suzanne Lauritzen, a private client tax and governance adviser specialising in international taxation, wealth structuring, governance, and succession planning, highlighted several interesting topics. She believes that a reliable inventory, a complete overview and full understanding of the financial wealth, easily accessible and up-to-date information of investments, including evaluations and historical transactions, are essential for advisors and wealth owners in estate planning. Furthermore, cross-border tax issues constitute a significant challenge for families, and they need to manage associated risks.

Gregor Feichtinger, the co-founder of Orca AG, a modern wealth and asset administration software that provides a secure, intuitive way to store and share sensitive financial information for family offices and their advisors, added that family offices historically outsourced estate planning and that there was a lack of central information repositories. However, technology supports the collection and evaluation of data consistently to prepare the implementation of estate plans. Understandably visualising data enables constructive discussions within the family and with family offices.

The importance of governance

For families and their family offices, governance frameworks play an essential role. Structured decision-making and communication impact a family's generational wealth preservation and transfer. For example, there is scientific proof that governance positively correlates with family businesses' success and continued existence.

They emphasise ownership structuring and estate planning in their governance frameworks and cover estate planning execution with trusts and foundations.

Marc Blumenfeld, the founder and managing director of Alithis, a Swiss compliance, regulatory and legal services provider specialising in the trustee and corporate services industry, observed that family offices add value at the governance level when collaborating with trustees and actively shape the estate planning advisory process. They can integrate with investment-related advice, collaborate closely, and evaluate estate planning options with trusts by involving trustees early.

Estate planning solutions

Although family offices may rely on external service providers to design and implement estate planning solutions, the alignment with the family's legacy, vision, mission, and values is essential. As family businesses prove, family governance favourably correlates with estate and succession planning. This is underpinned by the increasing use of estate planning tools as part of governance structures.

Suzanne Lauritzen advised families to aim for estate planning services and solutions that, next to covering financial wealth, include the human and social dimensions. Family offices significantly differ in their offering, but families need guidance to facilitate estate planning discussions and prepare family members to take over wealth. Family offices can play an essential role in coordinating services and solutions with their understanding of the whole picture to align them with a family's specific needs.

Outlook and recommendation

Suzanne Lauritzen remarked that family offices need to develop a holistic approach to enhance their estate planning capabilities, taking generational and cultural differences of increasingly global families into account. Facilitating communication and assisting families in assessing their needs will be more critical than merely offering a collection of estate planning tools and timetables.

Gregor Feichtinger added that remote collaboration would remain, and technology will further centralise workflows and information to enable estate planning. Marc Blumenfeld explained that the trustee function is essential for estate planning and that wealth owners and family offices should perform thorough due diligence on trustees and aim for a long-term relationship and learn from their trustee's experience in the field.

The key takeaways

Family offices are still wealth management service entities that deliver excellence in their investment-related domain expertise. However, they face a changing environment due to a significant ongoing wealth transfer, shifting next-generation demands, and increasingly global and multicultural families. Governance frameworks built on a family's legacy and values play a crucial role in tackling estate planning challenges.

Taking a holistic approach and leveraging technology-enabled collaboration with external service providers ensure that family wealth is preserved and smoothly transferred for generations.

Markus Schwingshackl is a private wealth lawyer assisting global wealth owners, entrepreneurs, and families to navigate the complexities of family offices, wealth planning, estate planning, and wealth management. He is the founder of Centro LAW, a boutique wealth management and family office law firm based in Zurich, Switzerland.

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"CYA": COVER YOUR ASSETS WHEN DEALING WITH FRAUD

by Carol Kaufman

As critical as it is to be prudent in trying to prevent attacks, equally important is how to mitigate the effect once you've been victimized. When someone commits fraud, you feel violated. And, in fact, you have been. But the nightmare doesn't stop there. If not properly prepared, you and your staff could spend hundreds of hours making calls, canceling credit cards, working with attorneys, and spending thousands of dollars to regain control.

Having what I call a "life inventory" of everything important to you defines the universe of your assets and liabilities. It allows you and your advisors to be able to evaluate areas of potential weakness and also allows all parties to quickly respond to fraudulent activities when they occur.

Identity fraud is the most common form of fraud, with credit card fraud being the most prevalent. According to the FTC, identity fraud increased 73% from 2019 to 2020 and is rising. A joint study by Experian and the Department of Justice shows affluent individuals are 43% more likely to experience identity fraud.

Documents most used include driver's licenses, government benefits, passports, and credit cards. Fraudsters no longer require physical documents. They hack into corporate servers, using information obtained through a method called "imposter fraud," which is when someone calls the victim, pretending to be a representative of a company, charity, or bank, gaining the personal information needed.

Misappropriation of assets is also prevalent in high-net-worth families. Live-in staff and personnel with access to homes put these families at a higher risk. Misappropriation differs from theft; it occurs when a trusted person, presented with an existing opportunity over time, abuses the family's assets for personal gain, as opposed to a thief that knowingly enters a home for the express purpose of stealing. While doing diligence and background checks is critical, instantly being able to prove ownership of missing possessions is paramount.

Having an inventory quickly helps address these types of crime. Ranked in order of fraud risk, a life inventory has four categories:

- Digital Assets,
- Credit Cards and Financial Information,
- Critical Documents,
- Physical Assets.

Digital Assets

Digital assets can be varied. All online accounts requiring a username and password, including social media, shopping, entertainment, banking, brokerage and personal accounts. Domain names can also be quite valuable. Cryptocurrencies: Digital currency that is used to buy goods and services that use virtual exchanges (and don't necessarily provide monthly statements).

Non-Fungible Tokens (NFTs): Represent unique assets that cannot be replaced including art, collectibles, and real estate, with new items being continually added.

Without documentation, these are difficult assets to keep track of because of being "virtual." They're easy targets for fraudsters and can slip through the cracks, disappearing from an estate without your knowledge and without a trace.

Credit Cards and other Financial Documents

These include contracts you sign, such as investments in a Private Equity or Real Estate fund. And of course, let's not forget credit cards! While credit cards increase your purchasing power, they're not assets; they're actually liabilities. Items in this category are gateways to significant financial investments and holdings as well as liabilities that affect you and, ultimately, your estate.

Critical Documents (physical or digital)

These documents have critical, significant financial value and that codify important life decisions and declarations about you and your wishes, including asset distributions to heirs. They include items such as birth certificates, social security cards, marriage/divorce documents, health directives and trusts.

Physical Assets

Your physical belongings such as houses, cars, jewelry, collections, and artwork, with their associated provenance; supporting documentation such as receipts, restorations, certifications of authenticity all have significant value. Your physical assets may be in numerous places: homes, storage, in transit, on loan, with one of your children, in a safe deposit box. By having photos of your items in their proper locations, with documentation, you validate their presence for insurance purposes, and for your trusted advisors, including estate executors.

How It Plays Out

With regard to fraud, the phrase "You Don't Know What You Don't Know" is both financially and emotionally devastating to all parties involved.

Have you ever gone on a social media site and seen a reminder notification of someone's special day, only to sadly note they're no longer around? Many times, families don't know how to close down online accounts. Fraudsters scan obituaries and deceased people's social media sites, watching for valuable information to help them access bank accounts, personal credit, and open new accounts in the deceased's name. The more information they find on these sites, the easier it is to commit fraud. This practice is called "ghosting" and frequently happens because it can take up to six months for financial institutions, credit-reporting bureaus, and the Social Security Administration to receive and register death records, allowing fraudsters ample time to rack up significant charges. Your deceased relative no longer worries about the ramifications but, if identity fraud is triggered and you don't have an inventory, the family and the estate will have to unravel a mess without knowing what they're looking for. Having an inventory provides a prioritized, up-to-date checklist to quickly close down unnecessary accounts, reduce the risk of fraud and methodically address it as soon as it becomes known.

A client of mine, a well-known family office, created their "life inventory," including all the inventory items mentioned above. The family office staff faithfully maintained it, regularly updating it. The inventory had additional valuable uses, including estate and insurance planning. When one of the senior members passed away suddenly, the attorneys received the inventory in record time. It contained everything needed to identify the various assets/liabilities so they were able to swiftly deal with them, mitigating the risk of fraud.

While education is important in helping prevent fraud, having an up-to-date, current inventory arms you, your trusted advisors, and your executors with needed information to not only protect you from fraud but quickly respond to it both during your lifetime and after. It's the best "insurance for your insurance" and gives "peace of mind" heightened meaning.

Carol Kaufman is the creator of Pinventory® Home Inventory, a web-based Software-as-a-Service product with a companion mobile app that allows you to take photos of your home contents, precious belongings and add other important information such as digital assets and critical documents into one safe, secure location, allowing you to access it from anywhere, anytime it's needed. She also offers Pinventory Personalized, a confidential, on-site service that creates home and life inventories for individuals and families. Her first software product, InvesTier®, was acquired by SunGard in 2002. An entrepreneur for over 40 years, Carol's specialties include software/service-based solutions to organizational problems, consulting and public speaking. She resides in Hawthorne, NJ and the Berkshires.

For a free Life Inventory checklist, feel free to contact me at ckaufman@pinventory.com or go to
www.pinventory.com

Russia, Ukraine, and You

by Michael O'Rourke

The outcome of Russia's invasion of Ukraine is far from certain, but the impact is certainly global. Most surprising, from a business operations perspective, are the number of foreign companies in Ukraine seemingly caught flatfooted when Vladimir Putin's intentions were signalled months in advance.

My position in the security industry grants me access to communications channels companies and non-governmental organizations use to coordinate the extraction of their employees and family members from Ukraine amid the chaos of war. This last-minute scramble need not have happened after the bombs began to fall.

By analysing available information, companies and NGOs would have seen the "training exercise" rhetoric for the Russian government smokescreen it was. Key indicators told experienced intelligence analysts at least two months in advance that a large-scale invasion was coming. Given this advanced warning, those entities lacking an evacuation plan still had time to remove their people from harm's way prior to the invasion. Using Ukraine as a teachable moment, now is the time to prepare your foreign operations for the unexpected. Integrating intelligence and constructing evacuation and other contingency plans is not as daunting as it may seem on the surface.

Your foreign business operations require three types of intelligence to maintain situational awareness: Open-Source Intelligence, Atmospheric Intelligence, and what I call "informed whispers."

Open-Source Intelligence, or OSINT, is produced from publicly available information and is collected, exploited, and disseminated in a timely manner to an appropriate audience for the purpose of addressing a specific intelligence requirement. One should note, as seen above, that intelligence is produced, not collected. I will explain this distinction shortly. Open sources include information appearing in print or electronic form including radio, television, newspapers, journals, the Internet, commercial databases, and videos, graphics, and drawings.

Atmospheric Intelligence is produced from information collected in country, on the ground, face to face. I do not mean spies meeting clandestine sources. Rather, think of the relationships your expat employees develop with their local national counterparts, vendors, customers, and other contacts. Your local national workforce is a priceless atmospheric asset. Who better to read the tea leaves than people with native level local knowledge combined with a vested interest in protecting their place of employment? Establishing relationships where local employees are comfortable sharing information and knowing the ins and outs of cross-cultural communication is vital. Sensitizing individuals to the types of information required is a gentle art. During my Special Forces career, it was proven many times over how rapport and cultural sensitivity fosters communication that saves lives.

Informed whispers are heard from those with access to information important to the security of your operations and who share that information privately without public attribution. These people may be in business, government, the military, or law enforcement. It is important to recognize when you are receiving one of these nuggets of information. The whisper may be a passing comment cloaked in benign sounding verbiage. Gently asking the right questions that can prompt an informed whisper is another art, and the brush strokes must be delicate. Here, too, the value of establishing relationships with people in the know cannot be underestimated.

Intelligence is the final product derived from the collection and analysis of information. Competent professionals turn information into the intelligence leaders require to make informed decisions. Lacking analysis, you are left swimming in a sea of information where everything, or nothing, seems relevant. Over time, enough professionally analysed intelligence paints the security landscape and anomalies appear in bold colours because you know what normal looks like.

Contingency plans cover much more than the evacuation of your foreign, and sometimes local, staff. Threats lurk, ready to degrade your ability to conduct business for the short, medium, and long term. Natural disaster, civil unrest, political instability, terrorism, pandemic, and supply chain disruption just scratch the surface. Rather than creating a separate contingency plan for every possible threat, a few well-crafted plans will do all the heavy lifting.

Your evacuation plan, which may include air charter and bus contracts, pre-planned routes to friendly land borders, locations of residences, assembly areas and helicopter landing zones, and names key leaders, is in place to cover all mass evacuation causing events.

Multiple events may partially or totally disrupt operations, but not call for evacuation. A shelter-at-home plan informs everyone how much food, water and medical supplies must be stored at home, and how to reach out for assistance. Managers will know how to maintain accountability for employees who cannot reach the workplace. Security information sharing protocols are established. Maps to and addresses for each residence are in the plan, enabling security teams or others to reach employees requiring assistance.

Additional plans cover alternate work sites should the primary become unusable for a time. Executing the plan allows operations to smoothly resume at the new location, whether that be in the same country or elsewhere. The total number of contingency plans required, and their scope, is determined after a formal analysis and decision-making process. The best plans are those that integrate intelligence, receive buy-in from senior and subordinate stakeholders and are regularly tested and revised.

Start the intelligence and contingency planning process by engaging experienced professionals with operational experience in dynamic and hostile environments. The firm you choose must understand the intelligence cycle as it pertains to business and nongovernmental organizations. They need the capability to translate the jargon-filled contingency planning and execution process into plain language. Above all, the principals in that firm must be keen listeners. Beware of those offering a set piece solution without understanding your specific issues. Your situation is unique.

Michael O'Rourke is CEO of Advanced Operational Concepts, the international security consultancy he co-founded after a career in the American Special Forces. He leads his firm in painting the intelligence landscape and creating bespoke contingency plans for organizations currently operating in foreign lands, and those seeking to enter emerging markets.

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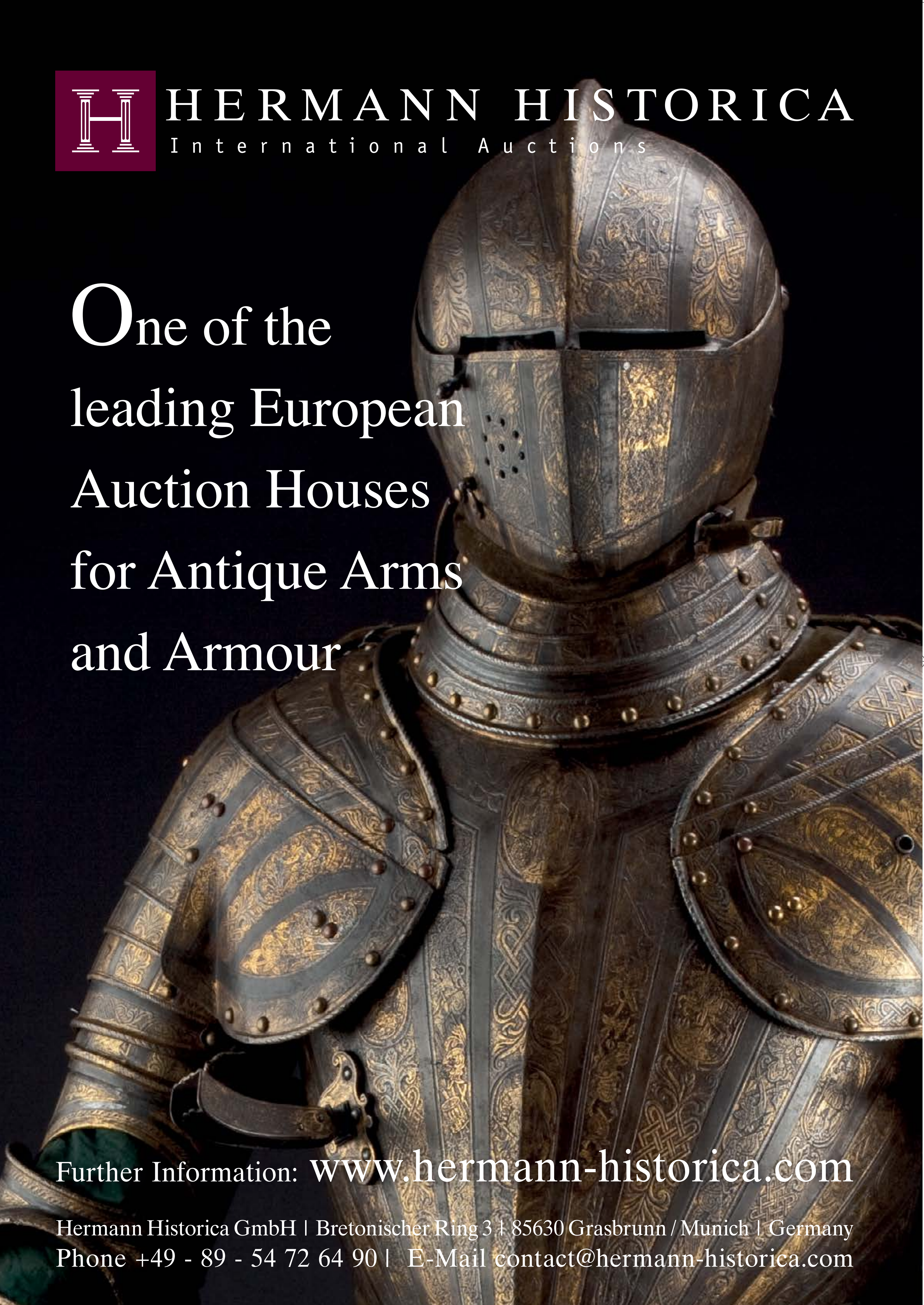
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LOOTING: THE UNKNOWN RISK TO WEALTHY INVESTORS

I am a white-collar criminologist. My research specialties are elite "control fraud and predation," financial crises, and financial regulation. I am a former financial regulator from an era where the United States had real regulators that enforced the law against even the most powerful CEOs and their political allies. I was asked to address the threats of elite control fraud and predation to wealthy families' investments.

Elite control frauds and predators are the economy's apex economic predators. The phrase refers to those who control a seemingly legitimate entity and use it as a weapon to defraud and predate. Predation is not a lesser pathology than fraud. It often remains lawful because its elite perpetrators have so much political juice, they prevent criminalization. Frédéric Bastiat captured the concept centuries ago though his rage was against taxes.

When plunder becomes a way of life for a group of men in a society, over the course of time they create for themselves a legal system that authorizes it and a moral code that glorifies it.

In the UK, elite predation by bankers through payment protection insurance (PPI) and interest rate swap scandals targeting customers produced all the profits arising from branch operations – for at least two decades. These forms of elite predation, obviously, produce exceptional wealth for bank shareholders and senior bank officers. As Bastiat observed, the UK refused to treat this predation, which produced roughly a 500% return for the banks, as criminal. The real business plan for the branches of UK banks for at least two decades was: One, rip off customers. Two, expand the rip off.

The PPI and swap scandals followed a series of predatory UK insurance scandals over the course of the last half-century, so the likelihood that Parliament will make such schemes criminal remains near zero. This form of predation may have cost you thousands of pounds as a bank customer, but it does not threaten your wealth. In your capacity as bank shareholders, the gains from these forms of predation would have far exceeded your losses as customers. I leave it to you whether you wish to use your

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power to fight the recurrent elite predation scandals or profit from them.

I use "CEO" for brevity to mean "the persons controlling a seemingly legitimate firm." Job title is irrelevant, actual control is the key. The elite American firms making pervasively fraudulent "liar's" loans and incentivizing armies of loan brokers to extort appraisers ("valuation surveyors") to inflate the value of homes pledged as collateral and targeting Black and brown Americans for predatory loan terms were, functionally, criminal enterprises with a sub-specialty in racial predation. These apex predators threaten your investments as well as the borrowers' homes, wealth, and credit ratings.

While most control frauds increase, sometimes immensely, elite firms' profitability, looting poses grave threats to wealthy investors. There are crude Ponzi schemes like Madoff, but if you fall for scams that are obviously "too good to be true" our advice will be wasted on you. "Looting" ("accounting control fraud"), however, is a highly sophisticated fraud scheme that has shown the consistent ability to deceive (and suborn) those with exceptional financial expertise. Wealthy family investors are familiar with other forms of "looting" that can cause devastating losses. One is the financial adviser who steals your money. The other is someone you trust due to your relationship (family, best mate, or lover) who steals your money.

The kind of sophisticated "looting" I am describing is distinct from these forms of betrayal of your trust in an individual. Accounting control fraud can cause catastrophic investment losses in debt and equity positions when the CEO loots the firm you invest in. In this form of looting, the CEO typically has never met you and does not know you exist. I first identified and labeled this apex fraud scheme in my capacity leading at the staff level the "reregulation" of the U.S. savings and loan industry from 1984-1994. Three hundred years ago, the South Seas Bubble in the UK and John Law's Mississippi Bubble exemplified the corrupt "public-private partnerships" elite looters form to optimize their scams. Both schemes enlisted royals (and even a mistress of a royal). Both schemes reported record (fictional) profits through accounting fraud. The accounting frauds were crude, but accounting was in its infancy.

In the savings and loan debacle, "everyone knew" that its second "act" was caused by honest "gambling for resurrection" thrift CEOs controlling failing thrifts. I "autopsied" our failures and looked for patterns and discovered several patterns with catastrophic losses (above 30% of liabilities). The patterns falsified the "gambling" hypothesis and led me to 'discover' elite control fraud and looting. The first pattern involved time. The catastrophic failures always reported exceptional profits in the early years – and then were revealed to be massively insolvent.

The second pattern involved loan underwriting. Any honest gambler on an ultra-risk loan would ensure superb underwriting because it massively increases the odds of success. The catastrophic failures showed three underwriting patterns. Their loan underwriting was abysmal. It was fraudulent (inducing an appraiser to inflate a home loan appraisal is a federal felony). The thrifts all secretly and systematically abandoned the fundamentals of loan underwriting. Their written underwriting standards were Potemkin. The same patterns our 1984 autopsies revealed were repeated in the Great Financial Crisis (GFC) because the looters used precisely the same "accounting fraud plus predation" schemes that defined the third "act" of the thrift debacle. Indeed, the GFC was the debacle's third act. Consider how massive the failures were from the GFC in Europe and the U.S. and that there are strong pressures not to repeat the "bailout." Absent the bailout, each of the "Big 5" investment banking firms, AIG, GE, GM, and most of the giant U.S. banks would have failed. Consider what impact that would have had on UK and mainland European banks.

When policy creates a "criminogenic environment" (fancy words for a simple concept – when CEOs have intensely perverse incentives) looting can become epidemic. Remember that each of these failures would have reported record profits before the fraudulent loans imploded. Keep in mind the American bankers' doggerel: "a rolling loan gathers no loss." Fraudulent CEOs kept up this scam from 1990 to 2008, hyper-inflating the world's largest bubble. Two Nobel Laureates in Economics, George Akerlof and Paul Romer, reviewed our autopsy findings and independently came to the same conclusion in their classic 1993 article that says it all. "Looting: The Economic Underworld of Bankruptcy for Profit." The firm goes bankrupt. The CEO loots the firm in a manner that leads to (fraudulent) reporting that the bank is 'earning' record profits.

Diversification helps reduce losses from epidemics of looting. Our ability to diversify against the systemic risks that epidemics of elite looting cause by driving severe financial crises and severe recessions is poor. Investors are always tempted to follow the herd into the industry (falsely) reporting superb profits and minimal failures for 14 years. Epidemics of looting are a seductive danger for wealthy family investors.

Dr. Black is Associate Professor of Economics and Law at the University of Missouri-Kansas City and the Distinguished Scholar in Residence for Financial Regulation at the University of Minnesota's law school. He is a recovering litigator, financial regulator, and senior bank officer and a serial whistleblower of the misdeeds of five U.S. Senators (the "Keating Five"), the Speaker of the House ("Jim" Wright), the head of his agency and a one of three presidential appointees running his agency.

SELECTING AN ATTORNEY FOR LITIGATION

by Brian Andreoli

Eventually a business or a family office will either be sued or will have to sue another party. The purpose of this article is to address the process of selecting an attorney or law firm to increase your odds of success.

While each case will differ, many basic requirements are common.

You as family office leader must consider yourself as "Task Force Commander" assembling the legal skills required to accomplish your mission. Your role will be to effectively communicate facts and to select the proper talents to accomplish your goals. Your preparation and selection process are critical to a successful outcome.

First, are you emotionally involved; are you vested in a way that a negative outcome will destroy you? If so, put a legal coordinator advocate between you and your legal team. You must be logical in your thought process.

Start with the understanding that no one attorney or law firm is capable of handling every type of case, let alone in varying jurisdictions. Each state and the District of Columbia are separate jurisdictions for the practice of law, they have their own rules and procedures.

Next, get all the facts and put them on a timeline. You cannot go forward without knowing where you are now. Besides helping with your thought process and setting goals, having the proper evidence and supporting facts increases your odds of winning.

Then begin interviewing lawyers and firms, listening to recommendations from each firm's more senior partners. Look for knowledge and experience in matters important to your case. Approach the proper size firm. Bringing in a national or an international law firm to handle a smaller matter may raise expectations and expenses. Know that your case will always uncover hidden issues that you and your lawyers may not have identified. The discovery process is always longer and more expensive than originally imagined. Also remember that the opposing side, whether another business or a governmental agency, is staffed by people with all the aspects of human personalities. I have seen individual government employees take a position that was classically wrong and yet it was maintained until trial, purely because of pride of authorship and unwillingness to consider that they may lose. Audacity and arrogance will lose the day.

When selecting an attorney, you must consider both their individual skill set in creativity of arguments and their knowledge of the rules. If your case will cross several State or legal boundaries, consider that only a small percentage of attorneys are admitted in more than one jurisdiction. Laws across separate jurisdictions may vary for what appears to be the same or similar alleged cause of action. For example, many states handle actions concerning estates as being subject to the authority of the Probate Court, while a state such as New York handles such actions in the Surrogates court. Whether one is in-house counsel, or works within a law firm, knowing the skill sets of an individual lawyer is important when assembling a team.

Law firms by necessity specialize in the various types of law action. The smaller the firm, the less likely that they will have the staff or the experience covering a broad range of areas of law. In selecting an attorney, focus less on the name or size of the law firm, and more on the skill and experience of the individual attorney. Also, schooling is important but not critical. Most attorneys learn their skills while working with experienced partners.

Of course, if your family office has its own in-house attorney, such a person is your first resource in the selection process. They know the history and the business of the Family Office. In addition, they are aware of the personality of the CEO or patriarch. The personality of a client is as important as the skills of the attorney; select attorneys who can effectively communicate recommendations within your leader's type of style.

When advising firms, I would usually recommend up to three different types of attorneys having comparable knowledge skills and experience. Some clients prefer a "take charge" attorney, while others prefer a collaborative type of personality for an interactive relationship. No one type is absolutely right or wrong. The goal of your attorney is to listen, effectively collect the facts and clearly communicate the decision-making process.

Within the legal team, the team-leader will be tasked with communicating the status of the case. They will also know the role of each team member specializing in functions within the running of the case. You must consider their roles and how they will interact amongst team members and with you as client.

Inquire as to the types of cases that they have worked on as well as the type of issues that arose. Listen carefully to their thought process; it indicates the level of care to details that may lead to a successful conclusion. Knowing your own needs and personality are an important aspect of what type of attorney will work best for you. Remember you may find that your own in-house attorney may be the contact point if you have found that to be the most efficient use of your time.

Should you have a false start, you may waste a lot of time and money. Professional work product is not generally fungible. Few attorneys will accept work product of another firm/lawyer.

They will start again from ground zero. The more that you and your attorney advisor can organize your facts and evidence, the easier the briefing of your team will be. I advise that you retain a coordinating legal advisor/advocate to help establish the business outline and selection process; their fees will be substantially less than the legal firm's billing rate and should you need to change horses mid-stream, will aid in preserving a fungible product to guide the new team.

I was recently tasked to locate a legal team willing to work on a $500-million claim entailing trust fund damages spanning 20-years. The victim had spent near $8-million retaining over 8-firms suing across 7-jurisdictions, all to no avail. I entered the role as legal-advocate, interviewed a dozen potentials, weeded out those who would be conflicted in the case, and suggested two finalists. The client selected the lawyer with whom they felt they could best work, an interactive collaborative styled person. An early stage advocate may have saved a lot of money and time by properly advising the client in the preparation and selection process.

Ultimately the selection of the appropriate counsel for a legal cause of action is the most important aspect of being successful. It is a selection process that starts with understanding yourself and the controversy. Next is identifying the appropriate skill sets that will be necessary. You must also understand your own ability to effectively uncover and communicate the critical facts. Set forth your expectations on the desired level of communication throughout the process. Make sure the attorney or law firm has staffed the team with attorneys who possess the identified needed skill sets. Set your goals and process and manage your task-force for a successful outcome.

Brian Andreoli is Managing Partner of Casey Moats Andreoli where he identifies legal talent for potential use by clients. Brian was formerly a Partner at three of the world's largest law firms and previously was a Principal/Senior Manager/Tax Senior at three of the Big 4 accounting firms. Brian has over thirty-five years of successful transfer pricing design and audit defense in various industries. He is an experienced management & business strategies executive in legal, accounting , tax, corporate risk & insurance policies. Brian has served with conglomerates, major banks, software companies, biotech/pharmaceutical companies, transportation/beverage companies, and defense contractors. Brian is skilled in intellectual property law and tax accounting and is a frequent public speaker at tax conferences and publishes specialist industry articles.

THE ART OF MENTORING THE NEXT GEN AND SUCCESSION PLANNING

By Jason Ma, CEO and Chief Mentor of ThreeEQ

In UHNW families and family offices, priorities certainly include wealth preservation and enhancement by growing their businesses and investing in asset classes of interest—all the while mitigating risks. Over the next 2 to 3 decades, around $65 trillion of assets will be transferred from the Leading Gens, who are mostly Boomers, to the Next Gens. Some Leading Gens are even skipping Gen Xers and going straight to younger Millennials and Gen Zs.

Yet, are younger Next Gens fully aligned in values/principles with their parents or partners? To what extent are Next Gens prepared psychologically, and in soft and hard skills, to manage enormous new wealth and weighty responsibilities? Success with well-being is often about 80% psychology, 20% mechanics/structures—not the other way around.

While family patriarchs/matriarchs are captains of their industries, many (quietly) want to improve the quality of relationships with their Next Gens at home and at work. Families want not only next-level tangible outcomes, but also sound relationships and peace of mind.

For the past 14 years, I feel privileged to have inspired and guided 1-on-1 hundreds of select Next Gens—from Gen Z high schoolers to Gen X CEOs—to achieve powerfully integrated, next-level outcomes as their Ivy League/elite college admissions, leadership, career, executive, and/or life coach.

Recognized as the inspiring Chief Mentor of Next-Gen Leaders and a sought-after Speaker in influential Family Office and CEO circles and magazines worldwide, I actively listen and incisively provide short stories, insights, and, most importantly, guidance on these types of subjects.

Jason Ma

CEO and Chief Mentor, ThreeEQ

Let me highlight some of the key ingredients in the art of next-gen mentoring and succession planning:

Start early. This will help you reduce stress/anxiety and achieve greater outcomes, relationships, and peace of mind. It's somewhat like compound interest over time. I often see families in pain from (major) opportunity losses because they didn't invest in trusted, high-quality, third-party help early on.

Build family culture. In my own family (playfully coined the "MAfia"), I value unconditional love, humor, and high standards in what matters. Truly empowering family values/principles matter. I bring up any limiting beliefs and try to shepherd my family, including myself, to improve. Honest, heartful communication is key. This is one of the critical soft skills that I help strengthen in my family and students. An empowering culture is like glue. It is vital to cultivate and live it.

Invest in human capital, including core skills. Intangible assets are just as important as tangible wealth. We are all imperfect, flawed souls. Wise Leading Gens and Next Gens are constantly learning, improving, connecting, growing, and contributing—without big egos. Great leaders know how to attract and develop the best talents and apply their core strengths. You may enjoy my related Impact Wealth article, "Succession Planning Lesson from President George Washington," in which I discussed why:

1. A top leader is visionary, missionary, and strategic
2. An impactful leader prioritizes building an effective team and culture, pivoting as needed, and executing for real results
3. A real leader mitigates risks and makes sound decisions
4. An exceptional leader's wisdom includes quality succession planning early on and swift execution

Raise Next Gens right. Don't over spoil. Overly spoiled 50-to-60-year-old "children" exist in some very wealthy families. If kids don't have to meaningfully work, they gain no useful, positive skills and mindsets. It goes downhill quickly. I actively hone into my own family and students increasingly strong "3EQ" and "4S" (see my definitions below). Better family relationships, communication, joy, and peace often result as a powerful, by-product benefit. Given this article's word limit, go to www.ThreeEQ.com to gain more actionable insights and tips.

Welcome vulnerability. As a patriarch and mentor, if I learn that I have made a mistake, I swiftly and humbly communicate it and any lesson learned. I reflect and take advantage of the learning opportunity for my own growth. So, it is both practical and outcome-focused to show that we leaders are mere humans in our teams, including families, companies, and family offices.

Underlying all these tips is the importance of cultivating one's pragmatic emotional, social, and leadership intelligence ("3EQ") and visionary story, state of mind, soft skills, strategies, and execution ("4S")—my own mentorship framework—for GREATER life-cycle impact, relationships, and peace of mind in family, education, business, and community in our turbulent, ever-changing world.

I was recently invited as a featured speaker to both the Family Office Conference 2022 hosted virtually by Family Office Magazine and the ELITE Global Leaders Conference in New Orleans organized by JABOY Productions. I moderated a panel and gave a speech, respectively, on the very topic, "The Art of Mentoring the Next Gen and Succession Planning."

You may gain further insight by watching the Family Office Conference's recording of my panel on www.fam-con.com. My 3 panelists were top executives at two single family offices and a Silicon Valley veteran.

In sum, fellow Leading Gens and aspiring Next Gens: Start early, reduce stress, and achieve greater tangible outcomes, relationships, and peace of mind.

ABOUT THE AUTHOR:
Jason Ma is Founder, CEO, and Chief Mentor at ThreeEQ, an award-winning family business, and is CBO at a patented tech platform company with hyper-growth potential.

Jason is a member of the B20, the official G20 dialogue forum with the global business community, serving on the Future of Work and Education Taskforce. Jason was a Forbes Global CEO Conference delegate for 8 years before Forbes Media was acquired.

Jason is the acclaimed author of Young Leaders 3.0: Stories, Insights, and Tips for Next-Generation Achievers (book), an Impact Wealth contributor, and former Forbes contributor on Mentoring Young Leaders for Ivy League/elite college admissions, education, leadership, and entrepreneurship success (1.7M+ views). As a philanthropist, Jason is a St. Jude Advisory Council member.

NFTS AT ICT SPRING

In the framework of the global tech conference, ICT Spring (June 30th-July 1st), Farvest, organiser of the leading event for new technologies in Luxembourg, is joining forces with the artist Sumo, the metaverse pioneer in Grand Duchy Mathias Keune and the Luxembourg's dedicated Fintech centre, LHoFT to offer participants a unique dive into the world of NFT.

What is a NFT?
A non-fungible token (NFT) is a non-interchangeable unit of data stored on a blockchain, a form of digital ledger, that can be sold and traded. Types of NFT data units may be associated with digital files such as photos, videos, and audio. Because each token is uniquely identifiable, NFTs differ from blockchain cryptocurrencies, such as Bitcoin.

NFT ledgers provide a public certificate of authenticity or proof of ownership. NFTs can be summarised as a digital title deed that attests to the uniqueness of your property. Like cryptocurrencies, NFTs are stored in digital wallets.

NFTs, a fundamental trend in the art market
NFTs can really be anything digital (such as drawings, music, your brain downloaded and turned into an AI), but a lot of the current excitement is around using the tech to sell digital art.

NFTs are designed to give you something that can't be copied: ownership of the work. To put it in terms of physical art collecting: anyone can buy a Monet print. But only one person can own the original.

Buying an NFT also usually gets you some basic usage rights, like being able to post the image online or set it as your profile picture. Plus, of course, there are bragging rights that you own the art, with a blockchain entry to back it up. The unique and non-duplicable nature of NFTs creates scarcity and makes these cryptographic assets more valuable.

Symbols of the traditional art market, the famous auction houses Christie's, Sotheby's and Phillips have moved into NFT, a sign of their willingness to position themselves on this technology that is shaking up the art market.

ICT Spring, a unique opportunity to safely and simply enter the world of NFT

For ICT Spring, Luxembourg artist Sumo - who recently designed Luxair's Boeing 737 - is creating a unique NFT collection entitled "Beyond Frontiers".

During this flagship event, participants will receive a digital character, created by Sumo. On site, they will be able to contemplate physical items and to circulate in a virtual exhibition where Sumo's works will be visible in the metaverse created by Mathias Keune, co-founder of VIZZ who just launched www.theduchy.lu, a metaverse for Luxembourg.

The Luxembourg House of Financial Technology (LHoFT) will provide all the elements to enter and perform in the world of crypto assets: financial literacy and an assistance to create a digital wallet in a simple and secure way. Experts' advice for intermediate players and above.

This partnership between key players is a joint project of public utility to democratise the use of these new technologies with an official launch during ICT Spring. The project is a long-term collaboration to offer the best of the digital and physical world, echoing the main theme of the first day of the event "Beyond Frontiers".

About Farvest
Farvest is a marketing and communication agency recognized as a strategic partner by numerous companies and public entities. Since 2000, Farvest has created several large summits including ICT Spring and Space Forum. The agency is also the publisher of numerous digital and print media such as itone.lu, hrone.lu, infinance.lu. Over the years, Farvest has acquired a unique know-how in modelling and promoting communities and events, as well as pioneering initiatives in many sectors. The company creates, informs and entertains professional communities; it also supports clients in developing the visibility and promoting their products & services, through the design of tailored events.

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FAMILY PROBLEMS WITH TRUSTS AND INVESTMENTS

Joseph Parnes
President of Technomart Investment

As an investment advisor, I often encounter funds with family members as beneficiaries, previously controlled by other fund managers. While most funds have been well managed, there are others which had problems. These problematic funds had consistent features which provide a common thread.

One classic situation is when one family member is very successful and creates a fund for the benefit of other family members. Often, the beneficiaries of the successful funder have no financial background, or worse yet, have no interest in the finances. All these vestigial members really care about are the monthly checks, which they expect to remain the same or increase over time. If you say "bear" or "bull" market to these individuals, their eyes glaze over. As one beneficiary told me, "It gives me a tummy ache to discuss this." Any effort to educate these family members falls on deaf ears.

To compound these matters, the concept of not invading the corpus to meet lavish expectations is often a source of contention. These "trust fund babies" are often demanding, especially when they want a new car or new house. If they have a $1,000,000 available to them, they think in terms of spending the $1,000,000, not in terms of how much income per year can $1,000,000 safely generate. Worse yet, entrepreneurial spirit and business savvy does not seem to be a genetic trait, and the beneficiaries have no clue on how to generate more income, create a business, or manage money. This is often quoted as "The first generation makes the money, the second keeps the money and the third generation loses it." This concept has often been repeated by family business advisors, who report that after a first generation creates a valuable business, only 30% of family businesses are still owned by the second generation, and less than 3% of family businesses survive to the third generation still owned by the family.

If these are the problems encountered with a well-managed family fund, just imagine if there is malfeasance. The financially naïve beneficiaries are easy marks for unscrupulous managers. I remember trying to advise one young lady who wanted to put $100,000 into a mutual fund managed by a bank. This unnamed bank was going to charge her 5% on a front-end loaded fund, with a 5% exit fee, and an annualized 4% return. Due to her lack of financial experience, no amount of education and comparisons could convince her that this fee and returns were out of line. To her, banks were safe and that was that.

When real fraud is involved, it is almost impossible for family members to recognize the problem. They believe what they want to believe, just like the young lady who had blind faith in the bank. Even sophisticated investors have trouble recognizing fraud, because greed often clouds good judgement. The classic example of this is the fraud perpetrated by Bernie Madoff, well described by Harry Markopolos in his book "No One Would Listen." Madoff's returns were unsustainable.

When Frank Casey and Markopolos first brought this to the attention of regulatory agencies and several investors , no-one listened for 10 years. Why? Because everyone was making money, no-one was interested in exploring how they were making this much money. So unsophisticated beneficiaries can be fed bogus and unsubstantiated statements, which evade scrutiny, as long as the primary objective is met...."Send me my money on time." Sadly, this is often human nature.

There are infinite ways of overstating a fund's asset value. One of the often-used inflation methods is real estate appraisals which attach an unrealistic dollar amount to a real estate holding. This method was used in the Old Court Savings and Loan scandal in the 1980, which led to the collapse of many savings and loans, and the 1990s National Heritage Life Insurance fraud, which was the largest life insurance scandal in the country, with $456,000,000 in over-stated value. If any of the corpus of a fund is in inflated real estate, this would destroy the asset value.

One of the greatest risks to an unsuspecting or unsophisticated beneficiary is allowing the money manager to serve as a broker for the trades, and report the asset value of the trust. This was the method of deception of the Madoff funds. Unless a beneficiary is examining every transaction and looking at the book value of assets on a daily basis, this fraud can escape detection for months or years. Again, as long as the checks keep coming to the beneficiaries, they do not look at the details of the income generation, nor the possible depletion of the corpus to provide the steady income they have come to expect.

There are several methods to reduce the chance of fraud

One method your family can use to avoid fraud is using an outsourced legal overseer for the family trust. Many years ago, this method was used by Rothschild Trust when it was operating their trust department in Bermuda. The trust required a "protector." In this case, they used the law firm of Appleby Spurling and Kemp. The legal and financial oversight needed was provided by this protector, for even a firm as prestigious as Rothchild Trust. Casey Moats can provide this type of oversight and advice in this country. Their use of multiple advisors, and Casey's experience with fraud detection with the Madoff case, and subsequent cases where he has consulted for the FBI, provides the type of experience which can benefit family trusts. Another method is to have a firm serve in a direct discretionary capacity, instructing your brokerage house to execute trades determined by a third party. Accounting for the trust Is provided by your brokerage house. Since compensation is based only on performance, not sales commissions, excessive trading, or "churning of accounts" sometimes seen in accounts managed by brokerage houses is avoided.

In summary, as is true in most things in life, the best way to manage a trust is to engage a trusted advisor, with a good reputation, and a proven track record.

Joseph Parnes is an Independent Registered Investment Advisor with more than 30-years experience with particular specialties in short selling. He serves as president of Technomart Investment Advisors (ranked as one of the top advisories by Wealth Manager Magazine) and editor of the Shortex market letter (featured on Forbes.com). He has been regularly featured in Forbes, CNBC, First Business News and Barron's

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.

A CASE OF MISPLACED TRUST

A long-time company employee steals $4 million to fund her business venture.

(The following circumstances are based upon a real life case study. Names were changed for confidentiality purposes.)

Jane Dosh was the comptroller and a trusted employee at ABC Co. ("ABC"), a small and close-knit family business catering to high net worth families and individuals, for almost 15 years. As comptroller, she managed many aspects of ABC's financials — such as paying bills, managing payroll, and purchasing supplies for the company and clients— with oversight from Robert Smith, the company's co-founder.

Smith was responsible for monitoring the company's finances. When he passed away in 2011, his financial responsibilities were added to Dosh's workload due to her impressive track record with the company. The added responsibility meant she handled every aspect of the company's finances with no oversight. She continued in that role for the next few years until she unexpectedly resigned on Dec. 31, 2016.

Internal audit manager Heather Dittman was ABC's sole internal auditor. As part of her annual plan, Dittman performed a standard review of the accounts payable process. The audit program included sampling transactions, checking support, and ensuring appropriate authorizations. During her latest review, she documented a number of transactions that were unsupported and unexplained.

Unable to obtain answers from Dosh and concerned about missing records, Dittman escalated her concerns to the CEO and chief financial officer and recommended a forensic review. Given Dosh's control of the financial processes, it appeared possible that she had defrauded the company and was now covering it up. Management was concerned about the extent of the fraud and the company's ability to recoup the money. As a result, management agreed to a forensic review.

The forensic review began with traditional physical surveillance of Dosh to uncover the facts necessary to

Frank E. Rudewicz
Principal and Counsel in the Special Advisory Services group of Clifton, Larson & Allen

figure out the fraud. During lunch on the second day of surveillance, Dosh went to a local clothing boutique. This piece let the investigators assemble the rest of the puzzle.

Dosh wanted to be an entrepreneur, but she lacked funding. When Smith died, another employee, Helen Brown, was granted a company credit card, and Dosh saw her chance. She had access to the new card's information and knew nobody would be monitoring the credit card activity but her. Dosh set up a store account using Brown's company credit card. She would pay off her purchases on the company card every month from the ABC's checking accounts.

When forensic investigators recovered the contents of Dosh's company computer hard drive, they found detailed plans for a boutique clothing and accessory business jointly owned by Dosh and Johnson. Private investigators followed Dosh for weeks to locate where she was storing the fraudulent purchases. She also forged the signature of her co-owner Johnson on multiple fraudulent checks to purchase personal goods and services, including payments to family-owned businesses. Investigators went through years of company financial documents to tally up the total amount of fraud. In just five years, she embezzled more than $4 million from the company.

ABC and the investigators turned the case over to law enforcement. ABC then implemented several policies and procedures to prevent the company from getting defrauded again, including:

- Dispersing cash only after appropriate management authorization and only with dual approvals over certain threshold amounts to ensure company funds were being spent on approved business purposes.
- Reviewing all cash receipts and disbursements for fraud and accounting errors as part of a monthly bank reconciliation.
- Separating financial duties previously taken on by Dosh so that no one person would handle all of the responsibilities.
- Backing up all financial transaction source documents to multiple locations so that the documents would not be lost if any one location was compromised.
- Developing a systematic process of evaluating potential risk that may be involved in any company or employee activity. The risk assessment allows internal audit to review, assess, and identify weaknesses in the internal controls and points out areas of high risk concerning fraud. The company updates internal controls regularly to counter all newly uncovered risks.

ABC determined that implementing internal controls do not have to be an impediment that slows down work processes. While there is no such thing as a 'one-size-fits-all' system of internal controls, getting the focus of their internal controls right actually helped safeguard and develop their business.

Lessons Learned

- No company is immune to fraud. Internal audit needs to help the organization prevent and minimize fraud risks. Small companies that are reluctant to invest the money to provide more internal audit coverage should consider the return on investment in comparison to a $4 million embezzlement. It is imperative for companies to set up internal policies and procedures that separate duties, promote accurate documentation, and systematically evaluate and counter all potential risk.
- Internal audit should use a fraud risk assessment to help leadership in small companies understand the extent of their vulnerability to fraud. Significant procedural or segregation of duties gaps can be identified during the process without requiring substantial investment in audit resources. Many of the control weaknesses in this case would have been uncovered during the assessment process.
- Internal auditors should include a fraud risk assessment as a standard for their work plans. It applies to every company and is the most compelling method of educating management about fraud vulnerabilities. The act of communicating this tool throughout management is sometimes enough to prevent fraud.
- Internal audit needs to know when to involve a forensic investigator. Forensic experts can provide different tools, such as recovering erased hard drives and surveillance, and will preserve the chain of evidence in a fraud case.

The cost of internal controls, audits, and fraud prevention are much less than the potential direct losses from fraud and the added expense of piecing together the extent of the problem and a workable solution.

Frank E. Rudewicz serves as Principal and Counsel in the Special Advisory Services group of Clifton, Larson & Allen ("CLA"), a top 10 Accounting firm and is one of the leaders of its Valuation, Forensics, Litigation and Investigations ("VFLI") practice.

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INCREASED INTERNATIONAL LAW ENFORCEMENT COOPERATION REGARDING MULTI-JURISDICTIONAL CRIME REQUIRES HIGHLY SOPHISTICATED COMPLIANCE AND LEGAL REPRESENTATION.

by W1-Global executives William McMurry, Brian McKnight, Bronwyn Haley

The past ten years has seen several historic investigations and prosecutions involving complex international fraud, cyber, organized crime and corruption schemes.

The massive corruption investigation in Brazil known as "Lavo Jato" which resulted in the arrests of hundreds of prominent politicians, businessmen, lawyers, and bankers in more than a dozen countries is an example of an investigation that not long ago would have been impossible.

The Lavo Jato investigation, along with many others in recent years, completely changed the paradigm of certain jurisdictions being impenetrable by outside influence when it comes to banking, corporate, and personal privacy issues. The international law enforcement (LE) community has seen an increase in cooperation by countries known for their banking and corporate registration secrecy in recent years. This significantly changed what is now possible for LE regarding tracking assets and transactions tied to alleged multi-jurisdictional criminal activity.

As the world economy continues to grow ever more interdependent, the calls for standardizing international regulatory and criminal codes of conduct in the world of finance and wealth management will grow louder. The creation of the European Union (EU) had a significant effect on the push towards universal standards of conduct. One example of this is in the area of Whistleblower protections.

In 2019, the EU mandated all member states introduce Whistleblower legislation by December 17, 2021. The concept of Whistleblower protections has been slow to develop in Europe where only 13 of the 27 member states have Whistleblower laws on the books and most of the current laws are weak with limited protections afforded to potential Whistleblowers.

In contrast, the United States (US) has had Whistleblower laws on the books since the 1800's. Those laws have been strengthened with new Whistleblower laws have been enacted in the US over the course of the past few decades.

Many of the most prominent Whistleblower programs in the United States are managed by the regulatory agencies mandated to oversee the financial services and commodities trading industries as well as US tax law. These Whistleblower programs have a monetary incentive component which provide significant rewards for potential Whistleblowers to come forward with information.

The reward-based incentive programs have been incredibly successful, resulting in billions of US dollars in recoveries and fines along with hundreds of millions of dollars in rewards paid out to Whistleblowers. An interesting trend over the past several years has been the dramatic rise in Whistleblower submissions to US institutions on behalf of non-US citizens residing outside the United States.

Just one of the US Whistleblower programs managed by the Securities Exchange Commission (SEC) has reported close to 4,000 complaints filed by individuals from 122 different countries over the period of 2011 to 2019. The enactment of Whistleblower protection laws throughout the EU will likely drive these numbers higher as prospective Whistleblowers will receive protections against retaliation for coming forward with information concerning alleged malfeasance.

What does this mean to individuals who are involved in the global financial services industries, either as service providers or customers? The need for sophisticated and truly international counsel has never been more apparent. The ever-increasing cooperation among law enforcement and regulators coupled with the rise in Whistleblower complaints are two major factors to consider if involved in multi-national business or global investments and banking. Without a strong commitment to ethics and compliance, anyone involved in global business and finance can find themselves falling under scrutiny.

The best way to accomplish this is to have a team of professionals comprised of lawyers, accountants, compliance professionals, and investigators all working together to protect clients from legal and regulatory issues. These teams must be able to operate in the global environment and understand how to form a holistic client plan which takes into account the potential for multi-jurisdictional investigations and audits.

The ability to collect and analyze information concerning potential risks to your international business, investments and banking portfolio is critical in this rapidly evolving environment. The risks are too great to allow for significant blind spots. Protect yourself, your business, and your investments by hiring a collaborative team of experts who can address all the risks in a cohesive and comprehensive manner.

W1 Global can address the risk management, intelligence, and investigative needs of service providers and customers engaged in international business and finance. W1 Global is a firm comprised of former US and UK law enforcement officials and compliance professionals, and has strategic partnerships with some of the most highly respected law firms in the United States and the United Kingdom. Our leadership team has decades of experience conducting and leading some of the most complicated multi-jurisdictional investigations in history. Our ability to navigate the multifaceted regulatory and legal issues involved in global finance are difficult to match. W1 Global also has command of the various Whistleblower programs in the United States and understand the types of cases the government institutions are seeking. We can assist individuals who are considering becoming a Whistleblower or help firms to manage a Whistleblower complaint by conducting a thorough investigation to determine the validity of the allegation and recommend an appropriate response.

ENDURING HELL, ACHIEVING FREEDOM

BY Kim Ann Curtin
Founder & CEO of
The Wall Street Coach

I can still remember the moment like it was yesterday. It felt like I'd been punched in the belly. I was looking at my iPhone when I saw the news. Time stopped, and I felt like I was falling down a deep well. I heard myself repeating "No," over and over.

It was weeks before I could talk about it. I felt embarrassment and shame. How could I have been so stupid, trusting, and naïve? I had been blindsided by someone at the top of the industry. I had trusted, admired, and respected him. And in a flash, he'd betrayed me. How could he do such a thing?

He'd requested my book's manuscript to consider writing the foreword; instead, he'd taken my book idea and crafted his own platform, featuring a "brilliant new take" on how to be inspired by finance executives. He had just announced his podcast launch. If you've ever experienced a similar betrayal, you can relate to the gut-wrenching emotions I felt. How does one cope with betrayal? Unfortunately, there can be times in business and, even sadly, in families when betrayal will occur. But there is a way forward.

Elisabeth Kübler-Ross taught us there are five stages of grief: denial, anger, bargaining, depression, and acceptance. Sometimes, these stages are ordered, but they can loop back and forth, or we stay stuck in one stage.

If you've been betrayed, you know what I'm talking about. It can be a very unsettling experience, especially if accompanied by a financial hit. It is so debilitating because betrayal elicits shame which is a hard feeling to endure. And shame makes us want to isolate. We often feel so embarrassed that we don't talk about it. It took me weeks to admit what had happened. We blame ourselves, seeing it as our failing of being too trusting. Sometimes, we may have been, but even if we make an error in judgment, beating ourselves up isn't the answer.

How do you transcend shame? You'll probably be surprised by my advice. You have to "be with it." That means you have to feel all of the shame or self-denigration. Not forever, but at least initially. Denying, ignoring, or side-stepping pain never works. While it was difficult for me to do, I can attest to the freedom it provided me. It was difficult, but like peroxide, it allowed me to cleanse the emotional wound so no infection could develop. Being with the emotion gave me the freedom to find myself, eventually, on the other side of it. It did take time, but I was able to see my betrayer's name again and not be leveled by it. There is still sting, but its power has subsided. Isn't that what we seek—the ability to move on?

Instead of running away from hard-to-be-with feelings and emotions, you need to face them head on. But it will be worth it. It's a different way to navigate than we usually been taught. I liken it to going into the eye of the storm, or running toward the roar.

Raphael Cushnir, one of my spiritual teachers, taught me that if we don't allow these hard-to-be-with emotions to process, they will lie dormant and stay stuck in us, turning more toxic over time. He taught me Emotional Connection, what I now call Emotional Non-Resistance, it's the practice of letting emotions move through us, of going deep and feeling our feelings, so we can free ourselves. This process takes time. I have used this practice over and over again, it allows me to move up and out of many hard-to-be-with situations, including that betrayal. I know it can help you because it's helped me and countless clients of mine. There are three necessary steps: 1) Ask, "What's happening now?" 2) Ask, "Can I be with it?" and 3) Go as fast as the slowest part of you can forward without hesitation.

What happened in the end? Quite unexpectedly, after I published my book in 2015, I was walking into a building on Park Avenue South in Manhattan just as he and a colleague were walking out. He saw me and turned pale. He started walking so fast that his colleague looked a little confused. He moved right past me and I froze in place. I saw him walk straight out into traffic, desperate to get a taxi. He almost got hit by a cab he was so frantic. His colleague was staring at him like he had lost his mind. When an empty cab finally stopped for him, he opened the back door and dove in. I watched his perplexed colleague catch up and shake his head. Then I watched that cab pull away.

I stood there trying to compose myself. I knew without a doubt that he knew what he had done. Thanks to Emotional Non-Resistance, I was able to take some time to surf all the emotions rushing through me.

I later called my friend. I told him the story and how much it stung. He said something that I'll never forget. He asked me why I wrote my book. I said to acknowledge the good guys in finance and to encourage them to continue to work and live consciously. My friend said, "What if those in finance hear him on his platform and find themselves encouraged and inspired, did your book do its job?" I gasped and knew the hard truth was yes.

He then said, "How about you focus on that and not let your ego get the upper hand." That perspective shift changed everything. Do I still have to practice Emotional Non-Resistance when I see his name? Absolutely, but the sting is less.
No matter what life may throw at you, you have what it takes to handle it and the fortitude to endure. Winston Churchill said, "If you're going through hell, keep going." Don't stop. Keep going. You'll make it to the other side. If you're interested in my book where I actually walk you through how to do this technique in real time you can find it on Amazon.

Kim Ann Curtin is the Founder & CEO of The Wall Street Coach, an Executive Coaching firm that specializes in working with Finance Executives and Traders. She is the author of Transforming Wall Street: A Conscious Path for a New Future and hosts and produces The Wall Street Coach Podcast. Over the past 15 years Kim and her team have coached top executives and traders from Anchorage Capital, Bank of America, Blackstone, Colgate Palmolive, Credit Suisse, EisnerAmper, FINRA, Fortress, GIC, King Street Capital, L'Oreal, Merck, Morgan Stanley, NBC, P&G, and Social Leverage to name a few. Her work has been profiled in CNN. Money, Fortune Magazine, Smart Money, TheStreet.com, Associated Press, among others. A Brooklyn-born NY'er, Kim now lives full time on the Big Island of Hawaii.

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UNDERSTANDING AND PROTECTING TRUSTS IN AN EVOLVING REGULATORY LANDSCAPE

by Judith Pearson

Understanding and Protecting Trusts (And Their Liability) In an Evolving Regulatory Landscape by Judith Pearson
Family Offices that serve high-net-worth individuals have been in recent global headlines as governments target them in an effort to tax corporate and individual gains.

In December 2021, the Biden Administration announced an anti-corruption plan made in conjunction with more than 100 other countries. While the reported purpose of this announcement is to counter fraud, regulations tend to expand to principled clients. According to the Wall Street Journal, the new 38-page plan calls for government agencies to work with Congress to use new and existing laws to make it more difficult for "gatekeepers" to the financial system (including lawyers, accountants, trusts, and company-service providers) "to evade scrutiny." While there certainly are cases that cross the line, most of the structures used comply with regulations. For example, when the Pandora Papers were released in October 2021, it became evident that many government officials, billionaires, and celebrities were using various financial structures that adhered to local laws.

While there is continued scrutinization of complex wealth transfer vehicles when conveying generational wealth, it is important to recognize that well-established laws are being used. Trusts are one frequently used vehicle. They are created for numerous reasons and can be structured in endless ways.

The trust structure will depend on:

- the goals of the grantor (wealth owner)
- the laws where the trust was created
- the type of trust created for the benefit of third parties (beneficiaries)

The individuals who bridge the gap between the wealth owners and the beneficiaries are the trustees. They have control of the assets that are owned by the trust. A trustee can be either an individual or an institution. This article focuses on the role of institutional trustees, also known as trust companies.

What Are the Roles of Trust Companies?
A trust company can perform some or all the various trustee functions. These duties typically include investment, administration, distribution, and reporting. As a trustee, the trust company and its officers have a fiduciary responsibility to the beneficiaries through a written agreement outlining the services they must perform. It is essential for all parties to review this statement of work because it not only outlines the services to be provided to the trust but also service fees and liability provisions. Should a challenge arise between the beneficiaries and the institutional trustee, the potential liability will be evaluated based on the service agreement and the trust document.

What Are the Obligations to the Grantor?
The grantor (wealth owner) creates the trust. However, once the trust is established and funded, its assets are transferred to the trust and managed by a third party known as the trustee. The trust document serves in a similar way as a business operating agreement, outlining the who, what, where, when, and how of the grantor's wishes. This document needs to be carefully thought out and designed to offer a balance of clear instruction and discretion to ensure the grantor's wishes will be carried out and the best interests of the beneficiaries will be served.

What Are the Trust Company's Obligations to Beneficiaries?
Assuming the trust company has been appointed to all the roles of a trustee, it is obligated to follow the written terms of the trust, including investment, administration, reporting, and distribution of trust assets. While these may seem to be straightforward tasks, they can get quite complicated—especially if the trust is formed under the laws of states or countries that support the directed trust environment.

In a directed trust, the roles and responsibilities are bifurcated. In other words, the investment trustee is responsible for the management of the assets, but many of the additional trustee obligations can be directed to various other institutions and individuals depending on the laws of the state or country in which the trust was established. There are compelling reasons for these directed trust structures, including, but not limited to, family control, privacy, and asset protection. Often these laws can limit the fiduciary obligation of some of these roles, but that fiduciary obligation may be added back in via the trust instrument.

Understanding where there is and is not imposed fiduciary duty is important since fiduciary duty is the highest legal standard of care in law. These variations create uncertainty for the actual fiduciary responsibility, and many of these laws are new and have not yet been tested. We expect these laws will stand the test of time when the trust is served in good faith. However, In the face of bad fact patterns, the laws may be challenged.

Protecting Their Liability: Do Trust Companies Purchase Insurance?
In our experience, trust companies purchase many forms of insurance; however, our focus here is Directors & Officers Liability (D&O), professional Errors and Emissions (E&O) insurance, and crime bond policies.

The distinctions between these three coverages are:

- D&O insurance protects executives for the management of a company.
- E&O insurance protects trustees and the organization from mistakes made while carrying out their professional services.
- Crime bond policies protect the trust from theft of assets by an employee of the trust company.
- In the US, some states require the company to purchase some or all of these insurance policies. Often the regulatory requirements are vague, and it is critical that the policy is designed by an expert in the field and is not just a checkbox for the regulators.
-

The key to designing an effective policy is understanding the exact services being provided by the trust company and the corporate structure of the company to ensure appropriate coverage. This task can be challenging because each trust company has a particular target client and menu of services. Therefore, the insurance policies need to reflect the specific operations of the trust company.

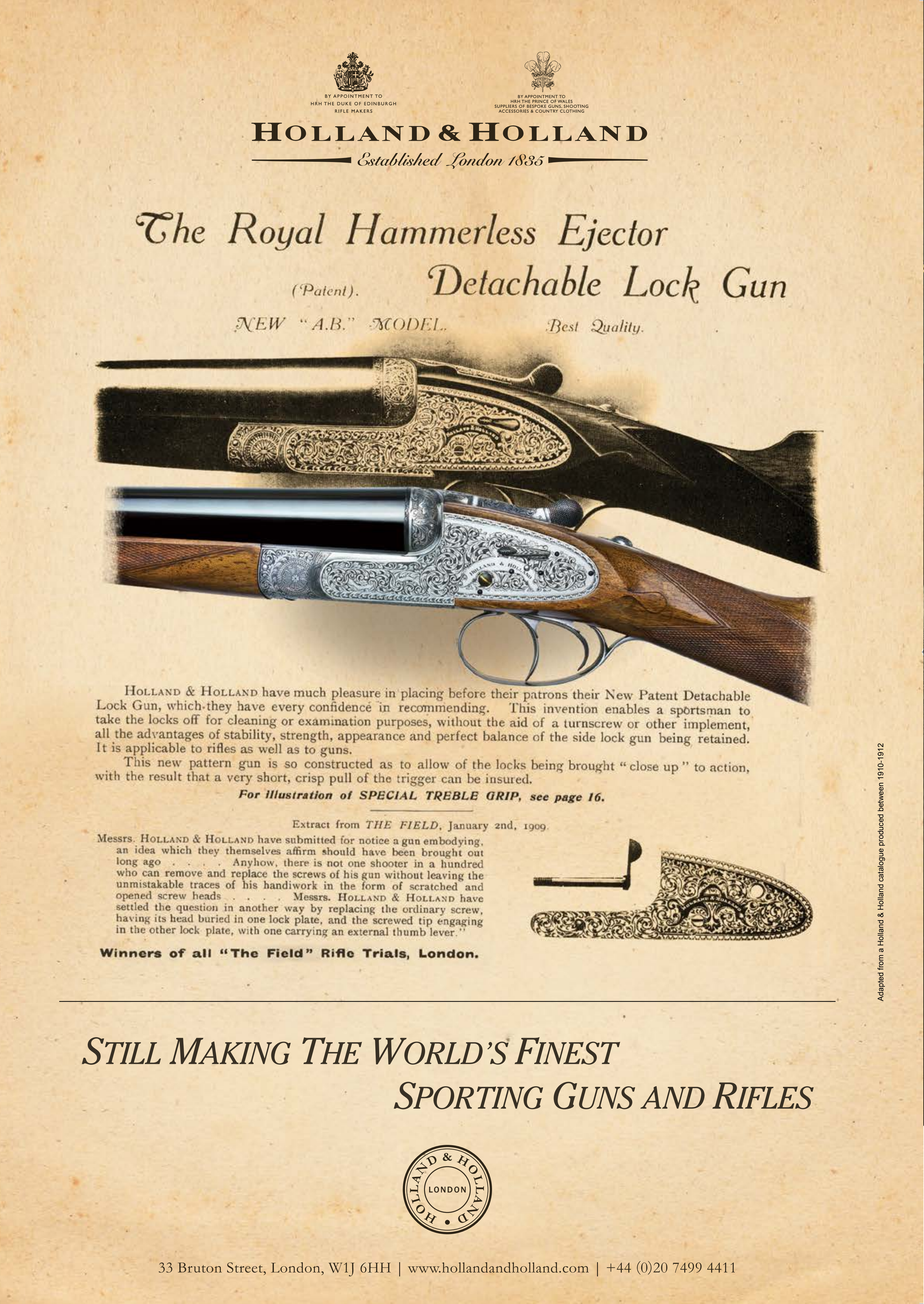
What Is the Underwriting Process?
To obtain an insurance policy quote, the underwriters request some basic information such as general information about the entity, financial statements and typical service contracts. After an initial review of the information and independent research about the trust company's reputation, business practices, and management, the underwriters may have additional questions. Some of today's hot buttons for underwriters include understanding the trust company's compliance with the following:

- Anti-money laundering (AML) and the Bank Security Act
- FACTA Foreign Account Tax Compliance Act (FACTA)
- Common Standard on Reporting
- Due Diligence for Financial Account Information (CRS)

It remains to be seen what the effects will be of that new anti-corruption plan, which was released by the Biden administration in advance of the virtual Summit for Democracy in December. In a statement that accompanied the plan's release, the White House stated, "Those that abuse positions of power for private gain steal not just material wealth, but human dignity and welfare."

In today's volatile economic and political environment, the trust industry must remain diligent in its compliance with evolving laws and standards of care so that the industry can continue to service families who are legally passing on their wealth to future generations.

Judith Pearson is Family Office and Trustee Liability Group Leader for Woodruff Sawyer, Denver CO. She has over 37 years of experience with Chubb, AIG and was a pioneer in the development of directors and officers liability coverage for AON. Woodruff Sawyer safeguards our clients' directors and officers' against lawsuits and other management liabilities. At Woodruff Sawyer, we identify, mitigate and transfer fiduciary risk so trustees serving in trusts of all sizes can increase their upside while avoiding personal, and institutional liability.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For illustration of SPECIAL TREBLE GRIP, see page 16.
Extract from THE FIELD, January 2nd, 1909.
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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.

COMMERCIAL REAL ESTATE

LONG INCOME INVESTING IN A NET ZERO CARBON WORLD

by Rupert Sheldon, Fund Manager of the Fiera Real Estate Long Income Fund UK

It is estimated that real estate accounts for approximately 40% of global carbon emissions. As a result, when the UK government set a target of net zero carbon ("NZC") by 2050, it is fair to say that the real estate industry was presented with a larger challenge than most.

For real estate investors buying commercial property let on 15 years+ leases, as we do at Fiera Real Estate, the ability to manage this transition is limited. Much of the responsibility for achieving sustainable goals falls outside the control of the landlord. Under the terms of a standard full repairing and insuring lease, all day-to-day responsibility for a building rests with the tenant, giving landlords limited obvious scope to deliver on the agenda.

Notwithstanding these challenges, more pro-active and committed landlords have been able to make meaningful progress - with those that are now leading the way in this hugely important area being rewarded with increasing investor capital allocations and greater underlying asset liquidity. Helpfully, most large occupiers are typically multi-national publicly listed businesses with a similar institutional shareholder base to the underlying pension schemes investing into so called "long income" real estate funds. This ensures that key stake holders are typically aligned. For such large corporates, the ESG agenda is equally important to them as it is to real estate investors.

At Fiera Real Estate we have been leaders in sustainability for the past two years, with ESG firmly embedded at every stage of our investment process. To illustrate this point, our UK Long Income Fund achieved GRESB Green Star status in 2021 whilst our fourth Opportunity Fund placed first within its European GRESB peer group. The following represent some of the key initiatives which are now in place to ensure NZC status well ahead of the official government target date of 2050: Net-Zero Carbon (NZC) Portfolio Pathway - In 2021, Carbon Intelligence was appointed as the Fund's NZC partner. In addition to their support in the creation of a NZC pathway and target date, they provide the Fund with on-going verification throughout implementation. This verification of the pathway and data provides confidence in the monitoring and implementation of a NZC target.

Net Zero Asset Audits – As part of our NZC pathway, we have instructed NZC audits on the portfolio's largest site contributors (by emissions) The audits will provide specific recommendations for each site, the impact of those recommendations on the building's carbon footprint and the likely costs of each recommendation.

Data Collection - One of the biggest challenges we face in pursuing net zero is understanding how buildings are currently performing. Due to the nature of a full repairing and insuring lease, nearly all the energy consumed within the portfolio is procured directly by the tenants. To better understand the asset-level interventions necessary to achieve operational net zero carbon, we have partnered with tenants and Etainabl to implement automatic data collection software within the portfolio. Energy and water data is transferred direct from tenants' utility providers to our team, allowing us to report regular and verified performance data.

Renewable Energy Project – In parallel to the development of our NZC pathway, we completed a portfolio wide solar PV feasibility study to identify the opportunities for renewable energy. We will install PV at three properties this year, with five more scheduled for 2023. This sustainable solar powered energy will be sold to our tenants, providing a return on our capital investment as well as saving over 5% of our total CO2 emissions.

Climate Risk – We have adopted the MSCI's Climate Value-at-Risk (CVaR) to measure and monitor asset level physical and transition climate risk, including resilience to global warming.

Focus on Best in Class Buildings – Fiera Real Estate, through its eight, part owned local operating partners in the UK, is uniquely placed to drive the ESG agenda on new development projects. A number of these have been acquired by our UK Long Income Fund. Early involvement and collaboration between all key stakeholders (we as funder, the developer and the tenant), has ensured the design and specification exceed increasingly ambitious sustainability goals.

In short, there is much work to be done across the real estate sector to manage the journey from one of the largest global carbon emitters to NZC. The transition has begun, and time is of the essence. Fiera Real Estate is leading the way and the prize is worth fighting for.

Managers that can excel in the field of sustainability more generally will be rewarded with financial out-performance. Knight Frank, in their recent Global Cities report identified that this could be by as much as an 8-18% value premium for ESG exemplar assets. However, the rewards are much greater for managers who can achieve sustainability excellence leading to growing investor allocations, continued growth in AUM as well as potential out-performance. The stakes could not be any higher.

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PANDORA & PANAMA PAPERS: OUR NEW NORMAL

by W1-Global executives Bronwyn Haley, Brian McKnight, William McMurray

The International Consortium of Investigative Journalists (ICIJ) has turned the world of offshore investing on its head through a series of investigative pieces with names like the Paradise Papers, Panama Papers, and Pandora Papers, all based on large data sets of leaked documents. We are now all too familiar with the headlines created over the past five years from these leaks. Attention-grabbing stories calling for impeachment or the ouster of world leaders, criminal investigations of billionaires, exposés on celebrity wealth and international sanctions on major corporations create something other than "paradise" for those exposed. Consider the ongoing and ever emerging effects these investigations and document leaks may have on your interests, on wealthy law-abiding citizenry, business leaders, and family office industry operatives. Laws pertaining to investment, taxation, inheritance, and privacy are changing and impacting how and by whom your investments are scrutinized because of bad actors under investigation.

Every family should contemplate who is involved in handling your accounts from the time it leaves you or your wealth manager's control to the vehicles and offshore accounts it is placed in – Is your privacy being handled with the utmost propriety? Are the people involved in managing them known to you? Known to your wealth manager? Known to the Federal Government or Law Enforcement? The chain of custody for your private information is potential area of weakness for any family that demands privacy with their personal affairs.

The Panama Papers involved the 2016 disclosure of over 11 million documents leaked from a prestigious offshore law firm whose attorneys are now subject of criminal investigation for aiding tax evasion. These invasions of privacy have led to criminal indictments, resignation of world leaders, Investigation of art dealer, U.S. Citizen and lawyer convicted of tax crimes. The Panama Papers revelations started 5 years ago but are still generating investigations, asset seizures and arrests with governments recovering over $1.36 billion as of April 2021.

In the case of the most recent ICIJ disclosure in October 2021, the Pandora Papers involved over 14 financial service companies. These documents and communications from professionals who created offshore companies and trusts for clients, reveal the particulars of trillions of dollars held in offshore accounts. The dragnet from these investigations is including those who engaged in illegal activities but also wealthy individuals who followed all appropriate laws and accounting rules in their affairs but desire to maintain their privacy and reputation.

Global banks have been fined and there is an increasing impact to asset structuring and tax planning as multiple governments are calling for more transparency to account for hidden wealth. The United States itself has become an attractive location for hidden wealth with 22 United States trustee companies identified. While the offshore industry continues to assert that service providers thoroughly vet their clients and act within the law, fallout from ICIJ investigations certainly raise some concerns.

While investing in offshore accounts in and of itself is certainly legal, the focusing of the microscope has revealed improprieties leading to criminal investigation of fraud, money laundering, tax avoidance, arrest warrants and the freezing of assets. With several governments now coming together to address global tax avoidance, law enforcement agencies such as the Federal Bureau of Investigation (FBI) are now using private data to uncover wealth hidden in ways law enforcement could not previously detect.

As with any other cautionary tale, an ounce of prevention is more economical and effective than a pound of cure. In banking compliance, there exists the term KYC (Know Your Client). In the investing and wealth management world, the same holds true. If you desire the utmost due diligence, then you know your service providers, know your manager, know their investors, and know exactly where, how and by whom your investments are being handled.

Ensure your financial management "supply-chain" is in a harmonious compliance that is consistent with your need for privacy.

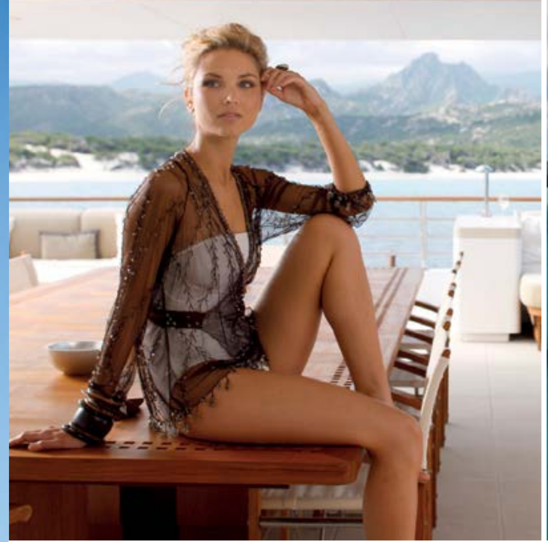
In cases like this, the vast benefits to seeking the assistance of an outside enterprise is evident. A private company, removed from the world of investing, separate from attorneys or general counsel, is immensely beneficial no matter what side of the table you are on (Client or wealth manager). A firm comprised of former federal law enforcement executives with decades of experiences in conducting the most intricate global and financial investigations, can be your best protection in both preventing impact from events like the Panama papers or in response to those effects. Whether conducting due diligence investigations on how wealth managers, attorneys and corporations perform and interact in the offshore world, or on the source of the investors' assets for wealth managers, it is imperative to seek specialized expertise in this field to maintain your association with the most compliant firms that will maintain your privacy and reputation. An investigative firm can do your KYC work on your service providers.

How can a specialized financial investigative firm benefit you and who should seek one?

Individuals and families looking for wealth managers can use services provided by outside companies to conduct due diligence and assist in choosing professionals. Wealth managers and family office professionals can utilize W1-Global's international expertise to vet law firms, corporations, and business professionals as well as investors to guard against risk. Attorneys and family office professionals can also avail themselves of W1-Global's unique cyber security risk assessment to ensure documents and communications are secure. Clients and professionals who have been the victim of exposed data need a firm with the specialized skill sets to conduct a cyber assessment and determine the risks and exposure suffered. Such a firm can also help interface with law enforcement agencies when funds or investment vehicles have been rendered inaccessible due to ongoing investigation or when investments are determined to be related to a company or enterprise under scrutiny. These companies also perform investigations and asset recovery on behalf of individuals and corporations. Private investigators can illuminate the truth and arm clients with strategies to leverage information while mitigating risk to themselves, their businesses, their industries, and their communities.

In this ever-changing landscape of global investing and wealth management one of the best returns on investment is to arm yourself with a team experienced in the world of international financial investigations.

W-1 Global is the corporate client interface for 5 Stones Intelligence, a leading intelligence and investigative company based in Miami, Florida U.S, with offices throughout the world. 5Si possesses the world's largest private HUMINT intelligence network and supports intelligence collection and analysis, global investigations, and operations support for Governments and corporations.




BURGESS

MASERATI: BACK TO RACING

Formula E World Championship from 2023

Maserati today announces the first step in its motorsport strategy and will make its debut in the ABB FIA Formula E World Championship in 2023.

With motorsport in its genes and rooted in the spirit of pure competition, Maserati is the first Italian brand to compete in Formula E. The return to the track renews the racing spirit in Maserati's DNA.

The combination of Maserati's unrivalled racing heritage - a brand intrinsically linked with high-performance, and its innovative attitude towards electrification – aligns perfectly with the ABB FIA Formula E World Championship, the world's first all-electric road-racing motorsport series.

Maserati's commitment to electric mobility is powered by a lightning surge of new energy, now accelerating to run at top speed with Folgore, the full electric range. All new Maserati models will also be available in 100% electric solutions including Maserati Grecale, Maserati GranTurismo and GranCabrio and the Maserati MC20 super sportscar.

The ABB FIA Formula E World Championship provides Maserati with a perfect platform to showcase the unprecedented brand racing heritage and Folgore in an environment where high performance and innovation powerfully co-exist.

Maserati will debut on the grid from Season 9 with the new Gen3, the fastest, lightest, most powerful Formula E racing car ever. The Gen3 is the world's most efficient racing car featuring a series of industry-leading design, production and technological innovations.

Since inception, Formula E's dramatic racing on the streets of the world's most iconic cities including New York, Monaco, Berlin, Mexico City, London and Rome has led to electric cars exported around the world today going further on every charge through increases in energy efficiency, enhancements in battery range and advances in powertrain development.

Davide Grasso, Maserati CEO, commented: "We are very proud to be back where we belong as protagonists in the world of racing. We are powered by passion and innovative by nature. We have a long history of world-class excellence in competition and we are ready to drive performance in the future." Grasso continued: "In the race for more performance, luxury, and innovation, Folgore is irresistible and it is the purest expression of Maserati. That's why we decided to go back to racing in the FIA Formula E World Championship, meeting our customers in the city centers of the world, taking the Trident forward into the future".

Jean-Marc Finot, Senior VP, STELLANTIS Motorsport, added: "It is a great pleasure for STELLANTIS Motorsport to play a part in getting Maserati back in the Race. Beyond this piece of history, Maserati Formula E will be our technological laboratory to accelerate the development of high-efficiency electrified powertrains and intelligent software for our road sports cars. Formula E is the perfect Championship for this purpose and we are very proud to be the first Italian brand to join in."

Alejandro Agag, Founder & Chairman, Formula E, said: "We are proud to welcome Maserati to their new home in world-class motorsport. The ABB FIA Formula E World Championship is the pinnacle of electric racing. It provides the perfect environment for the most dynamic and innovative high-performance car brands to showcase their technological capabilities alongside their sporting ambitions."

Mohammed Ben Sulayem, FIA President: "I am delighted to welcome Maserati to Formula E for Season 9. For such an iconic manufacturer with a tremendously proud and successful heritage in motor sport to pledge its commitment to the series is testament to the overwhelming faith in the ABB FIA Formula E World Championship's future as we prepare to usher in the next era. The new Gen3 single-seater will represent the pinnacle of sustainability, technology and performance."

Maserati was born on the track from audacity, first of the Maserati brothers, then of its drivers. Its racing debut was 96 years ago. The first racing car to bear the Trident logo on the bonnet was the Tipo 26, which debuted at the Targa Florio in 1926, winning first place in the class up to 1.5 L, with Alfieri Maserati at the wheel.

Thirty-one years later, Juan Manuel Fangio won the F1 World Championship with Maserati in 1957. The last time Maserati was seen in a single seater was with Maria Teresa De Filippis, the first woman to qualify for a Formula 1 Grand Prix, on board of a 250F.

Its very last appearance in racing was with the unprecedented MC12, which won 22 races (including 3 victories in the 24 Hours of Spa) and 14 Championship titles across Constructors' Championships, Drivers' Championships and Teams' Championships in the FIA GT, from 2004 to 2010.

Racing has always been Maserati's natural habitat. Even now, with its new era in Formula E, Maserati is starting from its roots as it builds its future.

THE CHANGING FACE OF TRUST LITIGATION IN JERSEY

By James Sheedy

After a thirty-year career in the Canadian wealth management industry, I've learned many things about managing family wealth as well as wealth management businesses. One of my key take-aways is that family offices tend to spend a disproportionate amount of time on 'growing the family wealth' compared to 'protecting the family wealth'. Seeking prudent investment opportunities is worthwhile work, but like everything in the investment business, there are both 'returns' and 'risks' to identify and manage to successfully steward the family wealth.

When the investment industry mentions the term 'risk', it's typically discussed as volatility or loss of capital and/or income. Although this is a valid area for portfolio management, an area of equal concern should be the family office's 'investment operational risk management'. The bottom line is that family offices are not simply 'pots of wealth' but 'wealth management businesses' and, like any business, need to be governed and managed with a prudent and practical set of processes that steward the family wealth for multiple generations.

I overview below the key Investment Operational Risk Management areas that need to be proactively managed within a Family Office similar to any wealth management business. These ten areas can be explored in a 'deep dive' but for this article, I'm simply providing a short summary of each operational risk management area:

1. Governance – Family Wealth Board:
The goals of the family wealth as well as the risk management of the investment operations of any family office begin with effective governance, which can go by various names within family offices such as Family Council, Stewardship Councils or what we'll refer to as a Family Wealth Board.

The purpose of a Family Wealth Board is to ensure that the family wealth – like the balance sheet and income statement of a business - is managed in a prudent manner that not only satisfies each family's unique set of goals but also mitigates both investment & operational risks as well as supporting the long-term sustainability of the family wealth across generations. Ideally, a senior family member (ie: patriarch and/or matriarch) should be the 'chair' of the Family Wealth Board as they are typically best at navigating the broad range of family wealth management subjects across the various professional advisory inputs, and ensure the family's aspirations are met.

2. Investment Policy:
Investment Policy is the key document that details how the family wealth, across its various portfolios, will be structured and managed across various asset classes – equities vs fixed income, and investment mandates – from public markets to private investments.

The Investment Policy is the Blueprint for the family office portfolios. Without a prudently designed Investment Policy, family wealth can quickly become a 'random collection of investment ideas' instead of a 'prudently structured set of integrated investment strategies' designed to meet each family's funding requirements while respecting their risk tolerances.

3. Delegated Authorities:
Delegated authority can be easily overlooked within family offices given the typical high level of trust than can often exist within families – at least in the early days of establishing a family office. The unfortunate reality is that every family office needs to ensure that the appropriate people are authorized within a family office for 'signing off' on various aspects of operating the family office business – from investment management and trading decisions to the cash management of both the family office business (ie: accounts payable) and family portfolio payments to family office beneficiaries/family members. Where multiple financial beneficiaries of a family office exist, it's typically prudent to have more than one person with signing authority across all aspects of the family office business.

4. Money Managers:
Whether a family office chooses to hire money managers within the family office and/or to outsource it to specific money managers, an effective due diligence process is really needed in order to assess a given money manager's ability to produce risk-adjusted returns as well as committing to an ongoing monitoring of each's money manager's results. Portfolio returns are important, but risk controls are critical as returns are always a by-product of risk and not the other way around.

When hiring external money managers, Family Offices should also ensure that they conduct a thorough 'operational due diligence' of each money manager that examines the quality of their people, processes and technologies. Money managers who deliver great returns but lack prudent operational management, can become a collapsing house of cards.

5. Brokers:
Family Offices need to ensure that whenever brokers are used in the buying & selling of assets that the brokers are not just reputable but that the determination of price is both known and fair to the family office with ideally no conflicts of interest. If conflicts are identified, family offices need to ensure that these are either avoided or mitigated as much as practically possible.

6. Custodians:
Having a reputable and independent financial institution safekeep the family's financial assets is critical in the division of duties across the entire portfolio management function.

In other words, family offices should entrust their hard-earned investment assets to financial organizations who provide 'integrated' services in which conflicts of interest can easily arise. Having a custodian that is separate from the money managers and separate from the brokers is always the most prudent way to structure a family office's financial portfolios as it mitigates the potential for fraud.

7. Reporting:
All family office boards need to ensure that they receive regular, recurring reporting on their financial holdings, transactions and performance. One of the big challenges for family offices is integrating financial information across various custodians and portfolio holdings. It requires harnessing modern technologies, otherwise it's very difficult – and time consuming – for family offices to develop a true 'book of record' of the family office's assets independent of any custodians or money managers. Increasingly, family office members are seeking this type of integrated reporting because it forces accountability onto the family wealth board and management team.

8. Valuations:
All family offices should ensure that all assets managed by the family office have valuations attached to them that are both independent and professionally determined. This is especially important if it relates to private holdings and alternative investments conducted through external money managers as the absence of this is another potential area of financial fraud.

9. Cybersecurity:
As the global business world continues to integrate via web-based technologies, it's becoming very critical for family offices – like any other business – to ensure that they have assessed and implemented cybersecurity protocols for not just 'in the business' but also with key suppliers such as money managers, brokers and custodians. Failure to do so will increasingly place family offices at risk of cybersecurity hacking.

10. Audit:
Although an area more suitable for large, multi-generational family offices is the notion of having independent audits completed on a periodic basis about the valuations, transactions, and performances across the family office portfolios. This approach provides accountability to the economic beneficiaries of the family office portfolios.

The operational risk approach outlined above requires an investment of time, people and resources, but without this commitment, a family office will be exposed to business risks that could jeopardize the safety and long-term sustainability of their wealth.

Mark is CEO & Co-Founder of Highview Financial Group www.highviewfin.com. Gary Brent and Mark Barnicutt who previously ran the High Net Worth departments of large Canadian Banks now serve as outsourced CIOs, advising wealthy families as if they were corporations.

PROPER OVERSIGHT
AN INVESTMENT ADVISORY PLATFORM THAT REDUCES RISKS AND LOWERS COSTS

by Erik L. Halvorssen, Klosters Capital

It is well-documented that the financial affairs of ultrahigh net worth families are tended by large banks and broker-dealers (custodians) around the world. These very large institutions want to provide as many products and services to these very profitable clients as possible, in order to maximize revenue and tie their assets to the custodian; they strive to make client family assets as "sticky" as possible. This well-orchestrated "cross-selling" of products and services within a single custodian will inevitably lead to a financial silo effect.

Many wealthy families have banked with the same custodian for several generations; creating the financial silo effect of all products and services coming from one provider. It is common to find that after many years, the same custodian has become trustee, asset manager, broker and relationship manager for these families, tying them down with a cornucopia of mutual fund families, hedge funds, private equity funds and other products recommended, and many times manufactured by the custodian. Families affected by this condition tend to be oblivious to the symptoms and consequences of a financial silo: lack of transparency, lack of independent information and uncompetitive fee schedules. Working with a single custodian seems normal to them: "This is how my father (or grandfather) set it up, it is the way it has always been".

Unfortunately, the situation can get worse: many wealthy families have looked for what they consider to be "diversification" and opened custodial and service relationships with two, three or more custodians, maybe in more than one jurisdiction. Without realizing it, they have proceeded, through the years, to create different financial silos at these institutions.

This exacerbates the problem, as the bankers that handle the relationships at the different silos, are generally uninformed of what assets and structures are held at the other silos, making it impossible for any custodian to provide complete, accurate and timely advice. Additionally, the family now must deal with several statements, relationship and management teams, and trust teams that do not communicate or coordinate each other.

Wealthy families facing these silos are often unaware of the conflicting conditions, but when a problem arises in one or more of the components of a silo, they will likely a rude awakening which requires time and effort to unravel. Let us say, for illustration purposes, that a very opaque fund in the family's discretionary portfolio, held in trust at one of their silos (custodians), has an issue involving fraudulent activities that, arguably, should have been detected much earlier and therefore avoided by the custodian. The fraud at the fund wipes out most of the family's assets in said fund. Remember that the custodian, the asset manager and the trustee are all controlled by the same institution; this fact can limit the family's options dramatically when the family tries to seek clear information and eventually compensation for their loss.

Once they become aware of their predicament, the angry and frustrated family will most likely spend enormous amounts of effort, time and money dissolving the different structures and cashing out from the different products that held their assets at the institution. This also brings to the fore a consequence of the financial silo effect: breaking out of the silo's grip on the family assets is no easy or inexpensive task. Financial structures are sticky and hard to unravel.

There is a way in which wealthy families can more effectively protect and grow their financial assets, avoid the dreaded financial silo effect and maintain the relationships with their existing custodians worldwide. A financial structure focused on three words: independence, coordination, and transparency.

The key to the cure comes by employing the services of an independent financial advisor that: (1) is not related or affiliated or in a fee sharing agreement, with any asset manager or custodian, (2) sits on the same side of the table as the family and not the custodians, (3) has a technological platform that can integrate products and custodians, (4) is leveraged by a knowledgeable and experienced advisory team, (5) provides proper oversight, (6) provides timely advice, (7) coordinates among the different custodians and (8) provides comprehensive and transparent reporting to the family.

An independent financial advisor, equipped with state-of-the-art asset consolidation technology, can carefully oversee the activity and performance of all assets and products held at the different custodians on a regular basis, as well as consolidate their private equity, private debt, venture capital, real estate investments and even their private collections, wherever they are held in the world.

Trading, custody and asset management fees are very often opaque and vary greatly between custodians and funds. An ideal independent financial advisor should review the fee schedules for each product presented to the family at their different custodians and asset managers, as well as monitor trading fees and costs on a daily basis. Because the independent financial advisor can oversee all positions at all custodians, it will coordinate actions amongst all of them, for the benefit of the family.

The independent financial advisor, should present the family with a transparent, comprehensive and actionable view of the family's wealth. The wealth reporting should be available in a secure environment online for the family to review, or presented in person, or via Zoom, Meet, Teams or any other platform, wherever the family may be. Most importantly, families should not have to pay for the cure to the financial silo effect.

Custodians will continue to play an important role in the financial affairs of very wealthy families around the world, but it does not mean that these families must suffer the consequences of the dreaded financial silo effect.

For over five years, the team of experienced advisors at Klosters Capital, has been providing consolidated, independent financial advisory services to select wealthy families in the United States, Europe, Latin America and Australasia and, after they have engaged us, they have been paying less fees, in the aggregate, than before they hired us to consolidate and monitor their portfolios at all their custodians for performance, cost and risk.

75 YEARS OF GRAN TURISMO

MASERATI

MASERATI CELEBRATES THE A6 1500

Gran Turismo is a way of life: a type of high-performance car, suitable for long distances and comfortable journeys. It all began 75 years ago with the Maserati A6 1500, a model with a revolutionary spirit, the forerunner of a class of car that had never been seen before

In March 1947, the Geneva Motor Show witnessed the launch of the first Gran Turismo in history: the Tipo A6 (taking its name from the project), better known as the A6 1500 Gran Turismo.
Accorded an enthusiastic welcome by professionals and the public, the Tipo A6 represented the first step in a story in which Maserati has revamped the technology and design. The brand has held true to its hallmarks of elegance and high performance, ubiquitous in every model in the range and continuing in the next generation of the GranTurismo, the Trident brand's first 100% electric car, due to be launched onto the market in 2023.

The history of the A6 1500 dates back to even earlier than 1947.
It actually goes all the way back to 1941 and the design of a sedan with a fixed head engine and twin camshaft, which had to be a close descendant of the 6CM's, if of course revisited with Gran Turismo in mind. The upshot was an outstanding engine with a maximum output of 65 hp, with its single Weber 36DCR carburettor giving the car a top speed of 150 km/h.
The project was named A6, A for 'Alfieri', 6 for the number of cylinders.
It also featured independent wheel front suspension, with oscillating trapeziums and coil springs, rigid beam with leaf springs in the rear, hydraulically controlled brakes and disc wheels (spoked on request), with a 3.5" channel, 16" in diameter, and 5.50-16 tyres.

Intended for the Geneva Motor Show, the first model was produced in February 1947 by the Pininfarina bodyshop, bearing its characteristic mechanically operated retractable inside headlights. However, the clearest innovation from the past was its tubular chassis with circular cross-section components, to adopt some of the most fashionable trends at the time.
Not only was it the retractable headlights and chassis that would attract the attention of the public in Geneva, but also the plexiglass sunroof and a bonnet that could be raised from both sides or removed.

PRODUCTION OF THE A6 1500 GRAN TURISMO CONTINUED UNTIL 1950

The first Gran Turismo

the A6 1500 was a milestone in Maserati history.

KEYLESS INVESTING IN PROPERTY

By Aidan McAvinue of Smith & Williamson

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

Start at the start: why property?

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

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

Rapid changes in the sector – opportunity and risk

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

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

Accessing the themes

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

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

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

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

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

Measuring outcomes

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

FANTASIZING ABOUT MONETIZING

By Daniel Grillo

America's great satirist, Mark Twain, once remarked that "the difference between the almost right word and the right word is really a large matter – it's the difference between the lightning bug and the lightning."

Even outside of literature, striving for precision of language – or finding what Flaubert called "le mote juste" or the "right word" – is often essential to success.

For example, in the Fine Art and Alternative Illiquid Financing industry, the word "monetization" has acquired a slew of different meanings over time. From a liquidity event, to a debt-based art loan, to taking assets into "trade", what is truly meant by monetizing something? According to its most rudimentary definition by Dictionary.com, when used as a verb, "monetize" means 1. to convert into or express in the form of currency; and 2. To earn revenue from (an asset, business, etc.).

Collectors of fine art, classic cars, antiquities and precious gemstones are being invited into a marketplace where they are offered multiple ways of monetizing their assets to achieve a potential return on investment while their assets remain safely in their homes or vaulting facilities. This invitation is coming to them by way of intermediaries or brokers looking to provide liquidity solutions to these asset owners, while earning a fee in the process. The issue here is that many intermediaries are not particularly well-versed when it comes to the specific meaning of the word "monetization," nor are they necessarily aware of the risks involved in the process. Unfortunately, a trend has recently emerged in which intermediaries go out into the marketplace and align themselves with an investment strategy – typically those representing high-yield investment returns – then in turn market these investment strategies to high-net-worth individuals who may be asset-rich, but are perhaps experiencing a weak liquidity position. The intermediaries then explain to these asset owners that they can "invest their assets" into the broker's preferred investment strategy in order to mitigate their lack of liquidity. While this may seem like a dream-come-true opportunity to the asset owners, a potentially more nightmarish reality often lurks beneath the surface; unbeknownst to the asset owner, they may be unwittingly undertaking tremendous risks in what they believe to be a fairly simple transaction.

BREAKING DOWN THE STEPS

There are two major steps to the monetization of an asset. The first is to confirm that the asset is authentic and properly valued, while the second is to convert this asset into currency or capital. This is always and only completed by a debt-based, liquidity event which borrows against the accepted and appraised value of the asset itself. Once the asset has been converted into liquidity, the liquidity itself is then invested via specific strategies. Accordingly, this means that there is debt against the asset which needs to be repaid. More often than not, this reality is unfortunately not expressed to asset owners prior to inviting them to pursue the monetization of their assets via a specific investment strategy.

THE RISK

Often hidden from view of the asset owner is the fact that a "monetizer" is used to privately provide liquidity to the investment strategy. The asset owner pledges their asset to an investment strategy, and then sits back awaiting their high-value returns. However, they are often unaware that an actual loan has been issued against their asset, which must now be paid back to render it unencumbered. As a consequence of this additional, often-obscured step, the investment strategy must provide enough R.O.I. not only to provide the borrower with a substantial return, but also to pay the lender the accrued interest on the loan. Thus, what should be a simple and transparent process instead becomes fraught with veiled risks by unscrupulous individuals in the marketplace who seek to shield asset owners from a key constituent of the process, for fear that the true circumstances may be unpalatable.

The result is that asset owners often lose their precious assets while simply trying to earn a return in order to enjoy better liquidity in their lives.

There are tremendous opportunities available to asset owners in the marketplace now, but caveat emptor remains the motto of the day. Though "let the buyer beware" should always be the approach taken when reviewing or considering new opportunities, it's about time that asset owners are not treated as commodities or catalysts, but as clients and partners. At the end of the day, words have meaning, and language remains the key unifying component of all culture and enterprise. In this industry as well, we need to start to embrace this fundamental truth, since the last thing we want to witness is people being struck by lightning when all they want to do is capture a few fireflies for their family.

Daniel Grillo is Global Manager at Truss Point Partners
www.trusspointpartners.com

HIDDEN COMMISSIONS: HOW ARE BROKERS POSTING RECORD PROFITS

by Tom Jardine

Brokerage commissions have been on a steep decline since their deregulation on "May Day" in 1975 when commissions went from a fixed level to a mandated negotiated rate. Back then, brokers enjoyed commission levels of 75 cents or even $1 per share. Imagine a 10,000-share order costing $7,500 to execute. Since then, this driver of broker profits has fallen to zero in many instances and, with the increasing advent of "payment for order flow" (PFOF), has gone negative. You would think that brokers would now be reeling from low-profit margins as the main benefactors of transaction fees.

As you are all aware, that's not the case. Broker-dealers are posting record profits. Goldman Sachs, JPMorgan, Morgan Stanley, Charles Schwab and many others reported record revenue and profit for 2021. You can convince yourself that these firms are more sophisticated and thus reaping more trading profits, but that argument has two holes. First, while brokers have indeed become much more sophisticated in their trading mechanisms, other market participants, including hedge funds, market makers and high-frequency traders, have become equally and, in most cases, far more sophisticated in their strategies. These other market participants have more than offset any increased trading margins that brokers would be earning. Second, the Volker rule passed in 2010 significantly curtailed brokers' ability to engage in proprietary activities and thus make trading profits. If there are no commissions and no trading profits, how are brokers making more profit than ever?

Enter hidden commissions. Hidden commissions are those undisclosed fees "charged" by brokers generated from securities transactions. Emphasis on undisclosed. But wait, don't the SEC regulations, Rule 605 and Rule 606, forcing brokers and market makers to disclose their payments for executions provide ample disclosure of these fees?

These payments only cover a small portion of these hidden commissions and miss the much larger impact costs. Implementing these rules leaves much to be desired with varying file formats, disparate distribution and several quarters or even years in delayed reporting. Even if you had a complete record of these disclosed payments, tying them back to your actual executions and calculating your hidden commissions would be impossible. According to a recent SIFMA survey, impact costs, the primary source of these hidden commissions, are over ten times reported commissions averaging 0.315% in the US. For the Family Office executing an average of $50mm in public securities per month, these hidden fees can amount to $1.9mm and are much higher for foreign and small capitalised securities. And that's simply the average across all market participants. Institutional players armed with significant technology and personnel resources to develop sophisticated transaction cost analysis systems have a much better handle on these costs and can more effectively monitor and manage them. The smaller or even mid-tier investor is more than likely unaware of these hidden commissions, let alone tracking them and, as a result incurring a much higher average cost.

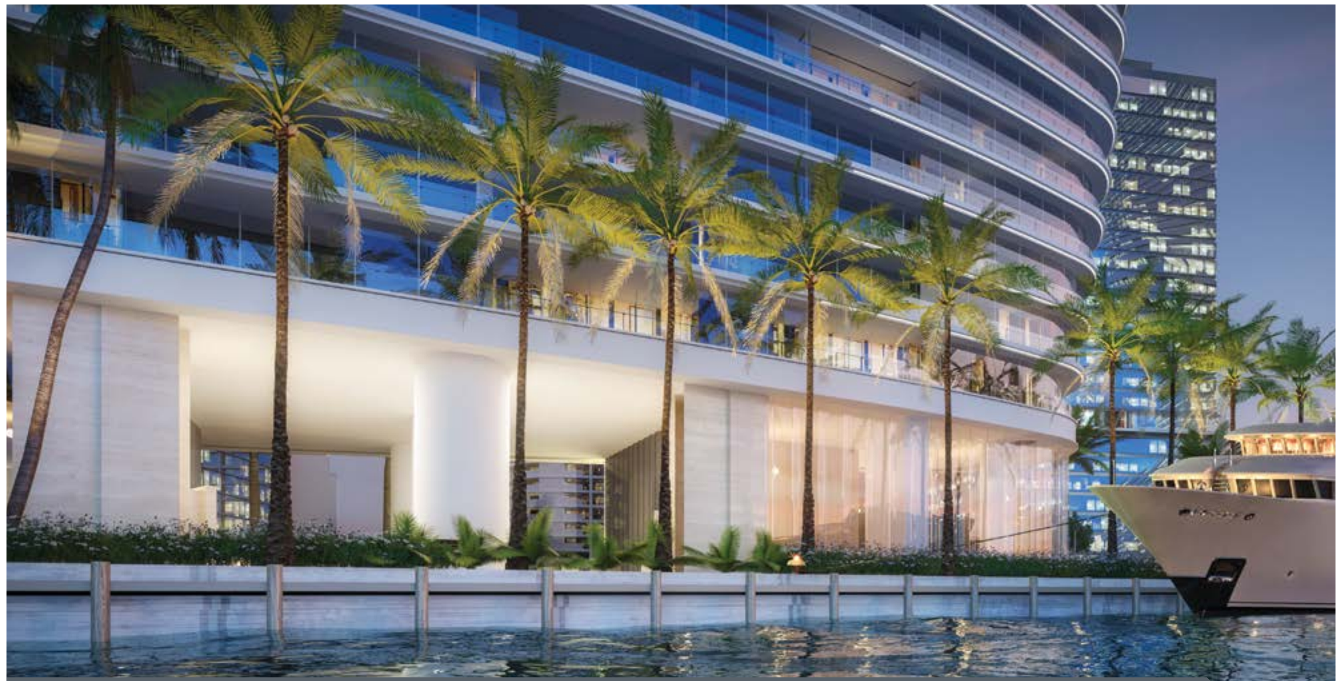
Managing your brokers used to be much easier. You paid commissions for executing with a broker, and these fees were disclosed on your monthly statement. As the marketplace evolved and commissions started to compress, you could negotiate these fees and closely monitor these charges on your statements. With commissions near zero, the investor has been lulled into a false sense of security that their cost of execution has been eliminated and has completely lost their ability to monitor their broker's performance. Fortunately, these undisclosed fees or hidden commissions are rather easy to calculate. You take the price when your order was sent to the broker or arrival price and subtract that from your executed price. Voila, you have found the Holy Grail, your hidden commissions, the source of these record profits earned by brokers.

Unfortunately, your broker will not provide this information, and if they did, would you trust the student to grade their exam? This hidden commission tracking system entails matching market data from a third-party provider with your transaction data. Once you have a record of both transaction and matching market data, you can calculate your hidden commissions, report this regularly and use this data to resurrect your broker management process. While this analysis may seem easy on the surface, automating the data collection, integrating the market data, developing these metrics, and building tools to monitor and analyse the results can be a daunting endeavour even for a multi-family facility, let alone a single-family office. Outsourcing execution analysis is a much more cost-effective method to monitor broker performance. Family Offices leverage outsourcing for multiple functions, including execution, settlement and clearing and even stock selection.

Execution analytics is another relatively complex process that a family office should consider outsourcing to maintain focus on its core mission of managing the family assets. And having an independent provider measure and report execution quality, rather than relying on in-house or broker resources, ensures an unbiased review and decisions rendered in the best interest of the family assets. Conducting a quarterly broker review using these generated performance metrics and the hidden commission tracking system can save an investor 0.10%-0.20% in execution costs. (We've seen institutions save up to 0.50% and even 1.0%!) The Family Office that implements this quarterly review and executes $50mm per month can realise annual savings of $600,000 - $1.2mm. In our next instalment, we will dig deeper into the hidden commission tracking system and show you the details of how to develop a system of your own, giving you the ammunition to keep tabs on your broker activity.

Tom Jardine is the Founder of 0 to 1 Analytics, 0to1.one, a fintech firm specialising in providing transaction transparency for investors. He has over 30 years of experience in the institutional equity trading markets at the bulge bracket level. He has an extensive analytics background and is currently an adjunct professor at Columbia University in their Applied Analytics Program.

SAY MY NAME



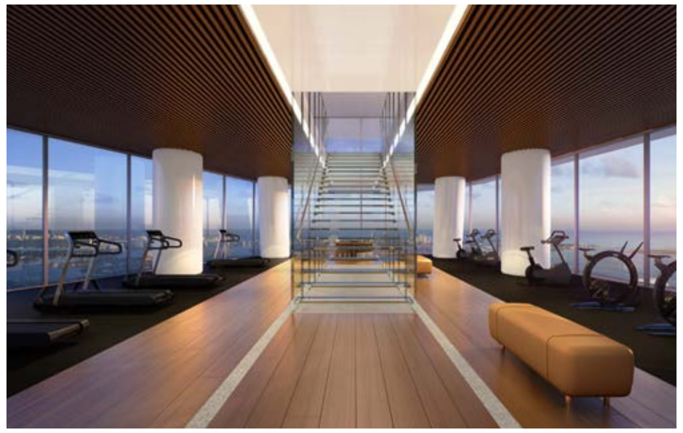
BRANDED RESIDENCES

By Laura Henderson, Managing Editor, Abode2

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

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

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



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

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

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

ONES TO WATCH

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

CHÂTEAU MOUTON ROTHSCHILD 1945 HOW TO VERIFY A VINTAGE WINE

Stuart George tells the story of his purchase of an exceptional wine from the cellar of a unique house with special owner

Faringdon House is a 14,510 square feet house in Faringdon, Oxfordshire, England. The house is Grade I-listed, protected as a "building of exceptional interest". It was built in 1770–85 for Sir Henry James Pye, who was the then Poet Laureate (an honorary position appointed by the monarch of the United Kingdom).

Faringdon House was a remote, quiet country manor until Gerald Hugh Tyrwhitt-Wilson, 14th Baron Berners, inherited it from an uncle in 1918. From his youth, Berners was notorious for his eccentricity. Upon hearing that a dog could be taught to swim by throwing it into the water, young Gerald decided that a dog could be taught to fly by being thrown out of a window. Happily, the dog survived.

Lord Berners moved into Faringdon House in 1931 with his companion Robert Heber-Percy, known as the "Mad Boy" for his uninhibited behaviour, which included horse riding naked through the surrounding woods. Fictionalised as Lord Merlin in Nancy Mitford's 1945 novel The Pursuit of Love, Berners dyed pigeons in vibrant colours and entertained Penelope Betjeman's horse Moti to tea at Faringdon. Other visitors included Gertrude Stein; Igor Stravinsky; Salvador Dalí; and H. G. Wells.

Unexpectedly, in 1942 Heber-Percy married the 21-year old Jennifer Fry, who gave birth to their daughter Victoria in 1943. For a short time, mother and daughter lived at Faringdon House with Heber-Percy and Berners in an unconventional domestic arrangement. Fry separated from Heber-Percy in 1947 and later married the poet and cricket writer Alan Ross.

In 1950, Lord Berners died and Robert Heber-Percy inherited Faringdon House, which was sold by his granddaughter Sofka Zinovieff (daughter of Victoria) in December 2017 and its contents were auctioned in April 2018.

Among the contents to be sold was a single bottle of wine – Château Mouton Rothschild 1945.

Château Mouton Rothschild 1945 – a great wine

In his book, Vintage Wines, former head of Christie's wine department Michael Broadbent MW described 1945 as "arguably one of the greatest vintages of the 20th century [producing] long-lasting wines of the highest quality". Mouton '45 is so exceptional that Broadbent gave the wine six stars (in a five-star rating system), writing that "There is simply no other wine like it."

The US wine critic Robert Parker wrote of Mouton 1945, "A consistent 100-point wine (only because my point scale stops at that number), the 1945 Mouton Rothschild is truly one of the immortal wines of the century. This wine is easily identifiable because of its remarkably exotic, over-ripe, sweet nose of black fruits, coffee, tobacco, mocha, and Asian spices. An extraordinarily dense, opulent, and rich wine, with layers of creamy fruit, it behaves more like a 1947 Pomerol than a structured, powerful, and tannic 1945. The wine finishes with a 60+ second display of ripe fruit, extract, and sweet tannin. This remarkably youthful wine (only light amber at the edge) is mindboggling! Will it last another 50 years?"

An Art Deco label was commissioned from the poster artist Carlu for the 1924 Mouton vintage. To commemorate the end of the war, 1945 was the second vintage of Mouton to feature a bespoke label, based on British Prime Minister Winston Churchill's "V for Victory", by a young French artist called Philippe Jullian. Every vintage since, Mouton has enlisted an artist to design a new label.

Although the artists were not paid for their work, they did receive ten cases of wine – five of that year's vintage, plus five of their own vintage year.

Doing diligence from a distance

At Vins Extraordinaires, we always advise that high-value bottles and cases should be inspected in person; however, that's not always possible.

Owing to many other commitments, we were unable to inspect the bottle personally before the auction, so we had to do due diligence based on the auctioneer's images and condition reports to make an assessment of the bottle before bidding for it.

Label inspection

Very damp-affected and not a pretty sight, but correct for something that has been stored in a cool, damp country house cellar for half a century.

The Mouton label format from 1945: Artwork at top; the ram emblem; declaration of the number of bottles produced; the proprietor's signature; the name of the wine; the year – all present and correct.

The label should have two separate pieces, with the top "V" piece fractionally less wide than the main label – present and correct.

From 1945 to 1958 the vintage appears below the ram emblem – present and correct, though here it's damp-affected and with a small tear.

Glass bottle inspection

Château Mouton Rothschild 1945 was bottled in a green, broad-shouldered bottle with the shoulders slightly wider than the base so that the bottle tapers slightly towards the base – present and correct. The "75 cl" is seen on authentic examples.

Bottle fill level or ullage inspection

The wine is at top shoulder level, which is a normal and a good level for wines over 15 years old. For wines over 20 years old, this demonstrates excellent storage conditions. For a 73-year old wine, it's exceptional and shows the benefits of having been stored in a cool, damp country house cellar for half a century.

Capsule inspection

All present and correct: Faded red, embossed at the top with "MOUTON ROTHSCHILD MEDOC" in circular uppercase and an "arrows" emblem in the centre, surrounded by an embossed circular line; "MIS EN BOUTILLE AU CHATEAU" is embossed on the capsule at the top of the neck; below this is a very faded embossed logo.

If you approach old and valuable bottles with diligence, integrity and – especially – humility, you will rarely get it wrong. We now have pleasure in offering this very special bottle of wine for sale.

Stuart George is Founder & Managing Director of Vins Extraordinaires, which offers fine wine events and sales in Mayfair, London. Read more about Mouton Rothschild 1945

http://vinsextraordinaires.com/retail-sales.html

YOU CAN'T GAUGE CULTURE THROUGH ZOOM: THE IMPORTANCE OF ON-SITE DUE

By Steve Karsh, Principal

Due diligence in a post-Covid world is not what it used to be, but it should be. The world has changed, and some things may never go back to what they were. This is unfortunate because the human experience is just not the same. "Visiting" family virtually is not the same as it is in person; the feelings and emotions are quite different.

The same can be said for other activities, such as going to a concert or sporting event and feeling the energy of the crowd. Watching the Winter Olympics with no spectators in attendance didn't create the same excitement that a full stadium of cheering fans would have provided. The ratings were notably down as the Games aired. Even the way we work has changed – many companies still work remotely or utilize a hybrid of in-person and virtual. Isolation can stymie creativity as some of the best ideas come from spontaneity. All this leads to a change in culture, and not in a good way.

"Clients do not come first. Employees come first. If you take care of your employees, they will take care of the clients." -Richard Branson

Most of us have become accustomed to meeting virtually over Zoom or Teams or various other platforms, and that format has its place. But when it comes to investment due diligence, there is no substitute for the in-person experience. It is tremendously difficult to "read the room" or get a sense of a firm's culture through a camera lens and computer screen, particularly when asking difficult questions. Being able to survey expressions and reactions is a key component of qualitative due diligence, which is, in most instances, more important than quantitative due diligence. Knowing "who" is managing your clients' assets is more vital than the assessing the performance they have shown or might produce. A firm's culture is a key component of due diligence, and that starts with the employees.

Below are three experiences that led to NOT investing with a particular manager because of an on-site due diligence visit.

As part of a due diligence visit to San Francisco, we were to meet with an up-and-coming hedge fund manager. He was in the middle of moving offices at the time, and when we arrived at 3pm on a Friday afternoon, he had his assistant come out to inform us he wouldn't be able to meet because of the move. That is all we needed to know – we would never trust clients' hard-earned money with someone demonstrating such little character, no matter how good his future performance might be. Integrity counts just as much as track record.

On a due diligence visit to another hedge fund manager, we met for several hours. It was a break-away team from a large hedge fund who were starting up their own firm. I was extremely impressed with the portfolio manager and his strategy. His track-record at his previous firm was stellar and he had already raised a large amount of assets. However, managing the money is only half the equation; running the firm is the other half. This is where we hit a snag. His Chief Operating Officer had no experience operating a business.

Clients became extremely frustrated at not getting regular updates when things weren't going well. Most every manager is going to experience poor performance for a temporary amount of time, but how this manager handled that adversity, especially in being non-communicative, was the downfall. Assets began to flow out the door and the firm didn't survive. Had we not met the COO, in-person, I would have never known of that potential pitfall.

The last example was probably the most eye-opening as it related the importance of operational due diligence, an often-overlooked part of the process. Meeting with a hedge fund of funds and examining the custody of money, I was pleased to know that at least two signatures were required for any movement of funds, a must-be-checked box. Through some questioning, however, we discovered that the firm's portfolio manager was married to the Chief Operating Officer – the second signatory. They had different last names, and the relationship wasn't disclosed. A husband and wife controlling the flow of funds was a BIG red flag!

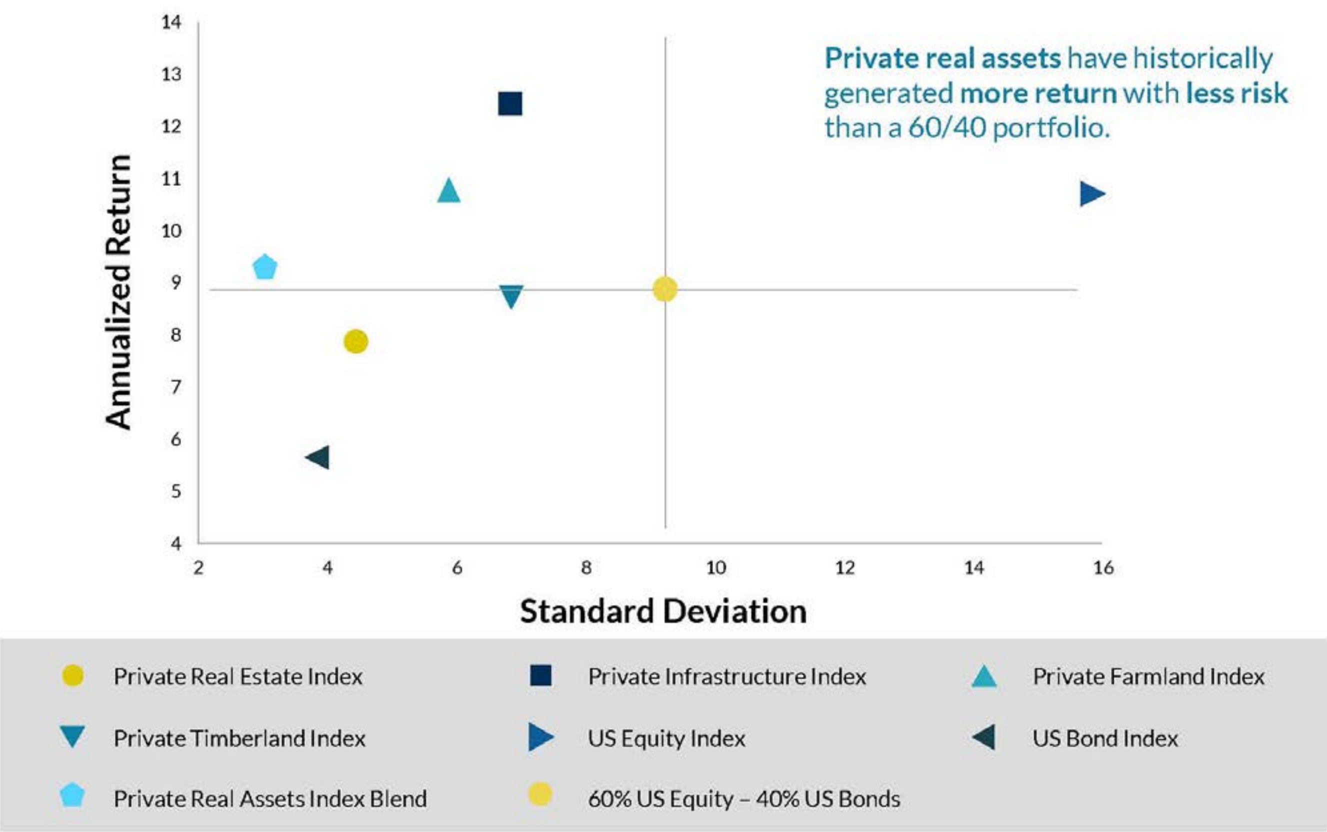
All three stories have a common thread: a lack of a strong culture. In the first example, no integrity; in the second example, no foresight; and in the third example, no checks and balances. The running theme here is the people, and the people create the culture.

It's also important to note that regularly scheduled in-person meetings with firms you are currently invested with is just as important. Personnel can change. Attitudes from existing employees can evolve. Even a casual conversation about unrelated business gives great insight into the firm's culture. A casual conversation with the receptionist their experience at the firm can tell you just as much as how the portfolio manager describes the way he or she controls risk. Asking an analyst that has been at the firm what they like most and least about their job can be revelatory as well. Even having an out of the boardroom experience such as a lunch or dinner can provide valuable insights.

When entrusting millions of dollars of clients' money, it's extremely important to know who you are investing with, a very difficult assessment to make without meeting in-person. It's much easier to drive a discussion on site than it is virtually, where those presenting can control the agenda and you can't get a "feel" for how the firm treats its clients and just as important, its employees. There simply is no substitute for in-person face to face interaction.

REAL ASSETS: POTENTIAL ALTERNATE SOURCE OF GROWTH AND INCOME?

By Sloan Smith, MBA, CAIA, CPWA® and Brooks Urich



[1] **Source: Versus Capital Research, Morningstar Direct, NCREIF, JP Morgan, MSCI.**

To support the US economy coming out of the COVID-19 recession, the Federal Reserve and the US Congress took aggressive monetary and fiscal action. As a result, the short-term federal funds rate approached 0% and equities rebounded to new all-time highs. The rapid resurgence of the economy has created price increases not seen in decades, mostly attributed to pent up consumer demand and access to easy money, global supply chain disruptions, and skyrocketing commodity prices. The combination of low bond yields, above-average equity valuations, and historically high inflation point to the difficulty of a traditional stock and bond portfolio generating strong future returns, while mitigating downside risk.

This dilemma has caused investors to look for alternative asset classes to meet their long-term return objectives. Investing in real assets may provide a potential solution. Real estate, commodities, and the energy sector often come to mind when considering real assets. However, additional sub-asset classes that merit consideration include infrastructure, timberland, and farmland. These investments offer the opportunity to improve a portfolio's risk/return profile, access attractive cash flows, participate in equity-like capital appreciation, and help to hedge against inflation risk.

Potential Real Asset Investments and Their Advantages

Infrastructure

Infrastructure assets include toll roads, airports, railways, wireless towers, and data centers. These investments offer relatively stable and predictable income through long-term fixed contracts and provide some monopolistic characteristics with high barriers to entry. The key return drivers for infrastructure are the free cash flow yield, inflation escalators, organic growth, and leverage. Further, the historical correlations between the MSCI Global Infrastructure Index and the S&P 500 Index and the Bloomberg Aggregate Bond Index are quite low around 0.01, showing the diversification benefits of infrastructure.

Timberland

Timberland assets include pulpwood (for paper and packaging materials), softwood (for building materials), and precious hardwood (for furniture and remodeling). The key return drivers include income from harvesting, inflation from the value of the timberland, and biological tree growth. Timberland has historically provided a hedge against inflation, and the correlations of the NCREIF Timberland Index between the S&P 500 and the Bloomberg Aggregative Bond Index are also quite low at around 0.04.

Farmland

Farmland assets are comprised of row crops (corn, soybeans, cotton, rice, vegetables, wheat, and potatoes) and permanent crops (almonds, walnuts, pistachios, apples, wine grapes, cranberries, and macadamia nuts). The key return drivers come from the income received from selling the crops, inflation of land value, productivity growth, and crop price growth. Farmland is a highly fragmented market with minimal institutional ownership, which creates numerous opportunities for potential investors.

Additional Portfolio Advantages

Diversified real asset funds often target annualized returns of 5% to 7%, significantly higher than bonds, yet with a volatility profile closer to bonds than stocks. Additionally, these strategies are positioned well to appreciate in inflationary environments.

The Potential Drawbacks of Real Asset Investing

Illiquidity

When investing in real assets, especially in the private space, liquidity is usually limited. Infrastructure, timberland, and farmland are physical tangible assets that require time to transact. Therefore, redemptions from this asset class may take three months or a year in some cases. This scenario is significantly different than what is experienced in fixed income where the market is highly liquid. However, limited liquidity is a potential trade off in the search for greater income and higher total return.

Fees

When allocating to funds of real assets, the fees are usually higher relative to an equity or fixed income strategy. The median expense ratio for an active equity and fixed income manager is between 0.60% and 0.90%, while fees are typically above 1.00% for a real assets manager. As real asset funds attempt to access the best opportunities, they usually demand a higher fee for not only identifying but also managing these investments.

Track Record

Allocating to real assets can be beneficial especially if an investment strategy is broadly diversified across infrastructure, timberland, and farmland. However, these diversified real assets strategies are limited in number and usually do not have long-term performance track records. Therefore, it is important to perform thorough due diligence on these managers that may be relatively new to the space. The environment of stretched equity valuations in some areas, low bond yields, and high inflation point to the merits of real assets. Overall, diversified real assets can enhance the probability of meeting long-term return objectives while enhancing portfolio diversification and continuing to manage downside risk.

Sloan Smith, CAIA, MBA, CPWA®| Principal, Director

Sloan is a Principal & Director at Innovest and a member of the Investment Committee, which drives the firm's investment related research and due diligence. He serves as a consultant working primarily with institutions and families. He is the Director of the Due Diligence Group, responsible for independently sourcing investment managers, as well as monitoring recommended products and strategies.

ONE-THIRD OF AUSTRALIA'S ULTRA-WEALTHY PLAN TO BUYER ANOTHER HOME IN 2022

by Michelle Ciesielski: Head of Residential Research, Knight Frank Australia

Luxury homes around the world emerged as the asset class of choice for ultra-high-net-worth individuals (UHNWIs) over the past year, in rapid turnaround from 2020.

Each year within The Wealth Report, Knight Frank takes the pulse of the ultra-wealthy – those considered to hold wealth of more than US$30 million – in an Attitudes Survey of more than 600 private bankers, wealth advisors, intermediaries, and family offices who between them manage over US$3.5 trillion of wealth for UHNWI clients.

The world has never been wealthier, and the role of residential property as a store of wealth has never been greater, with almost a third of the wealth held by UHNWIs being attributed to their primary and/or secondary residences in 2022. On average, 32% of Australian UHNWI's wealth is directly allocated to property for their principal and second homes where they and their family spend time.

There are three key trends shaping the Australian prestige residential market.

The surge in the ultra-wealthy population

Unprecedented access to technology and the digital democratisation of investments, including private equity, has driven greater levels of wealth creation and growth than ever before. Australian UHNWIs now hold more than A$863 billion of wealth, which is predicted to surpass A$1.1 trillion by 2026.

Australia's UHNW population is on an upward trend and growing fast, increasing by 124% over the last five years, well ahead of global growth of 75%. Over 2021 alone, Australia's UHNW population grew by 10.1% to almost 21,000 people, compared to 9.3% globally. The Knight Frank wealth model predicts growth of 31% for this population over the next five years. There is also a sense of optimism for 2022 with 91% of Australian UHNWIs predicting a further rise in wealth, significantly higher than 63% predicting growth in 2020. The greatest opportunities being in private equity, venture capital and technological adoption first and foremost, followed by real estate.

There may be challenges ahead for the global ultra-wealthy population, with policy responses such as wealth taxation implemented to tackle the increasing inequality, however governments will be conscious of pushing wealth out of their economies with an overzealous regulatory approach.

The ongoing disruption created by global supply chain instability was cited as the leading threat to the further creation and preservation of wealth by 69% of ultra-wealthy Australians. This was followed closely by new COVID-19 variants, indicating that strong local vaccination rate is not considered a sign that the overarching threats of the pandemic are behind us.

Carbon footprint on the minds of emerging property buyers

Over the past two years, there has been a substantial emphasis from ultra-wealthy buyers seeking homes with a significantly reduced impact on the environment. There is a growing, committed pool of prestige residential buyers asking questions spanning energy efficiency, embodied carbon, and the sustainability of materials.

When it comes to purchasing their next home, Australian UHNWIs list broadband speed as their most important consideration (at 56%), then wildfire risk (38%) followed by flood risk and the source of energy to the property (31%). The Australasian region now counts 14% of their ultra-wealthy population being self-made and under the age of 40 and this cohort have proven to be global, tech savvy and place greater emphasis on wellbeing – their own, that of their families and the environment.

Moving forward, sustainability will be more prominently at the fore of development, with new materials continually coming to market with a much lower carbon footprint and design elements aimed to outlast a century.

Stellar and spectacular prestige home price performance

After the onset of the pandemic in 2020, housing markets ceased trading for months at a time as the population grappled with uncertainty, but in 2021 they started to race away as Australians accrued savings, vaccine rollouts gathered momentum and the global economic outlook began to improve.

The Attitudes Survey found that 19% of global UHNWIs bought a residential home in 2021. This reached as high as 31% of Australian UHNWIs buying a home last year, second behind 37% in Hong Kong.

Rather than 'steady and sustainable' growth, it's fair to say the growth in the last year was 'stellar and spectacular' in the prime residential market – not only in Australia, but around the world.

Tracking the luxury prices across the top 5% of the world's residential markets, the Knight Frank PIRI 100 grew 8.4% in 2021, up from just under 2% in 2020. This was the highest annual increase since launching in 2008, with only seven of 100 cities seeing a decline in prices and 35% of locations recording double-digit growth.

All Australian cities exceeded the prime global price growth in 2021, with an annual average of 12.3%. The Gold Coast was the best performing Australian city, ranking at number 12 globally with 17.1% growth, followed by Sydney at number 17 (16.2% growth), Brisbane at number 29 (11.2%), Perth in 31 (10.5%) and Melbourne in 39 (9.4%). The ongoing surge in cash buyers ploughing funds into domestic housing markets as a means of wealth preservation during another period of heightened uncertainty is likely to continue. One-third of Australian UHNWIs plan to buy a home in the next 12 months and 36% are considering refinancing options to capitalise on the current low interest rate environment.

This high demand for luxury homes has seen a literal race for space, with ultra-wealthy Australian buyers competing for large waterfront plots in Sydney, and large apartments with a roof terrace, balcony or outdoor space.

"The demand for large apartments is clearly evident with the response to Crown Residences at One Barangaroo by the UHNW Sydney population, with total sales value reaching $1.2bn as of February 2022 and interest remaining high for the handful of remaining residences," said Erin van Tuil, Partner, One Barangaroo.

There is widespread concern as new homes have generally been shrinking in size over recent years and with significant lags in construction, coupled with supply chain issues, it's going to take some time to deliver.

The persistent stock shortages in prime markets in the major financial centres, gateway cities and second-home hotspots will only generate a premium on large luxury homes for some time to come and there will be further detachment of the super-prime market of properties worth more than US$10 million. This is most prevalent in Sydney and as a result, has the strongest forecast in Australia for 2022 with 9% growth.

Download the full copy of The Wealth Report 2022 here: https://www.knightfrank.com/wealthreport

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