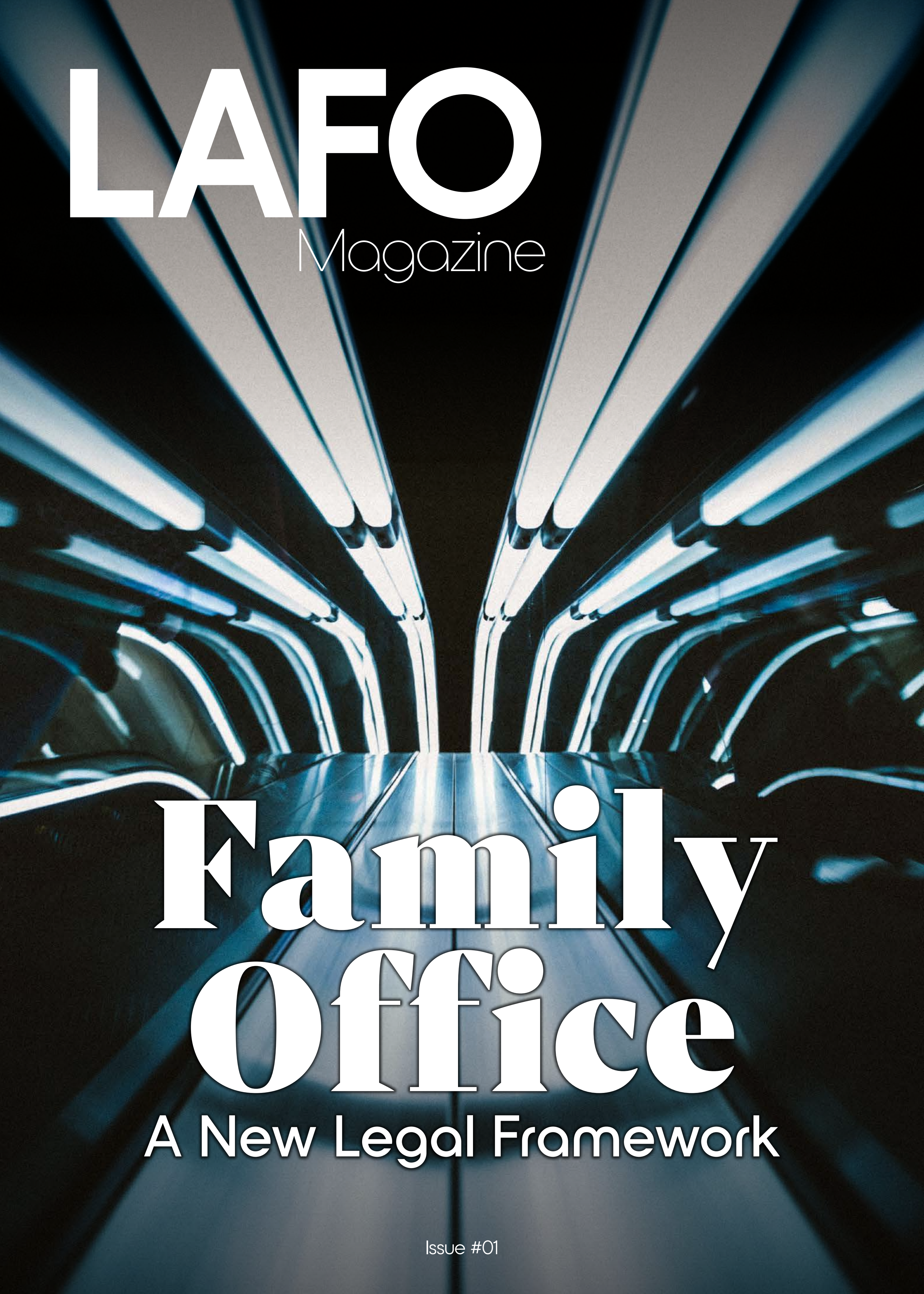

LAFO Magazine

Family Office

A New Legal Framework

Issue #01

CONTENT

DEAR MEMBERS AND DEAR PARTNERS,

2020 has been a turning point for the Luxembourg Association of Family Offices (LAFO). The association accelerated its digitization by boosting its visibility on social media and by organizing three E-conferences. We would like to thank the speakers who shared their insights in the wide array of topics linked to the family office activity. This year also marked the arrival of two new board members Francis Parisis and Yacine Diallo.
In 2021 we will further consolidate our strategy focused on content creation and distribution echoing our member's voice and the views of the family ecosystem in the Grand-Duchy. I invite you to join our LinkedIn page!

This first edition of our magazine includes insights from multi and single family officers, lawyers, private bankers, PE practitioner, service providers and academics showcasing Luxembourg's expertise.
Enjoy the first edition of LAFO magazine.

Best regards

SERGE KRANCENBLUM,
CHAIRMAN, LAFO

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SERGE KRANCENBLUM
LAFO

THE TRANSFORMATION OF THE FAMILY OFFICE

SERGE KRANCENBLUM, PRESIDENT OF THE LAFO, SAYS THE LEGAL FRAMEWORK OF MULTI-FAMILY OFFICES MUST ADAPT TO THE EVOLUTION OF THE PROFESSION. INTERVIEW.

Could you present the LAFO in brief?
Our association was created in June 2010 and represents the family office professionals. We have three key areas of focus: managing an exchange and information forum for family offices, working with the public authorities to represent the industry and promoting Luxembourg as a financial centre for wealthy families around the world. Since its creation, the Luxembourg Association for Family Offices (LAFO) has focused on helping to strengthen the expertise of family office professionals. To achieve this objective, we have worked towards the creation of a law regarding multi-family offices. This law has established a framework answering clients' needs for transparency with regard to remuneration and has enhanced the integrity of stakeholders within the sector.

How is the LAFO working to develop the family office sector?
Today in Luxembourg, there is a significant number of single-family offices which do not appear as such because they generally take the form of investment vehicles for international or resident families. In addition, there are a number of multi-family offices, often organised by professionals who already have another license – asset managers, domiciliation agents or banks – and who create a specific department. However, pure multi-family offices are experiencing difficulties as they have to request a Professional of the Financial Sector to the CSSF and carry hefty costs. Their business model is therefore under pressure. However, family offices do not manage assets: they administer families' assets and supervise and coordinate the various professionals who work for them. They should therefore not be subject to the same supervisory criteria as those which are applied to asset managers by the regulator. We therefore wish to amend the law of 21 December 2012 to enable multi-family offices to operate in Luxembourg without facing excessive regulatory costs, while maintaining absolute transparency and integrity.

How do you explain the rapid growth of the business?
The stability of the Grand-Duchy and the expertise of the financial centre attract two types of family offices: firstly, important families from Luxembourg or those who have come to live in the country; secondly, international families who use the Grand-Duchy to create their investment vehicle and who hire a team here to administer their interests in Europe or internationally. Luxembourg is one of the few countries where solutions – particularly institutional solutions – can be found for ultra-high net worth families. The unique range of legal solutions and of regulated and unregulated vehicles facilitates the organisation of their assets.

What challenges and opportunities do you identify over the next 5 years?
Generally speaking, the occupation is becoming more professional. Traditionally, it was left to former bankers who only dealt with financial assets. Wealthy families are increasingly investing in illiquid assets, such as private equity or real estate. Other skills are needed for the supervision of these assets. The future of multi-family offices lies in the strengthening of multi-asset skills. Today, families also want multi-family offices to ensure a sustainable relationship. These two trends will lead to the regrouping of professionals in the years to come.


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> "LARGE FAMILIES ARE INCREASINGLY INVESTING IN ILLIQUID ASSETS, SUCH AS PRIVATE EQUITY OR REAL ESTATE."
>
> SERGE KRANCENBLUM, PRESIDENT, LAFO CHAIRMAN, IQ-EQ GROUP

MORE INFORMATION
www.lafo.lu

FRANCIS PARISIS
INTERTRUST GROUP

ADAPTING AND IMPROVING FOR LONG-TERM LEGACIES

WHILE FAMILY OFFICES HAVE BECOME MORE PROFESSIONAL, FRANCIS PARISIS, GLOBAL HEAD OF PRIVATE WEALTH AT INTERTRUST GROUP, SAYS THEY NEED TO CONSTANTLY MEET NEW CHALLENGES BY IMPROVING EFFICIENCY THROUGH TECHNOLOGY.

"THERE IS A TREND AWAY FROM PURE ASSET PROTECTION TOWARDS ALTERNATIVE INVESTMENTS, GEOGRAPHICAL AND INDUSTRY DIVERSIFICATION AND FASTER TURNAROUND INVESTMENTS."

FRANCIS PARISIS,
GLOBAL HEAD OF PRIVATE WEALTH,
INTERTRUST GROUP

What trends have you identified recently in the family office sector?

Management of family offices is improving. They are reaching out to professionals to help them and, with the wider availability of IT platforms, they are migrating to dedicated systems. While in the past we saw family offices sealing themselves off, we now see them exchanging ideas, helping and embracing opportunities for cross investment with other family offices. The newer generation is becoming more agile and broad-minded in terms of investment; there is a trend away from pure asset protection towards alternative investments, geographical and industry diversification and faster turnaround investments. Behaviours are very responsive to the current situation: the Covid-19 pandemic has seen a growth of investments in pharmaceuticals, for example. We have also seen people who are cash rich looking for opportunities ranging from logistics to real estate.

How is Intertrust Group adapting and developing its offering to family offices?

We have developed the tools and processes to service large groups and our experience tells us the future of our business lies in technology. We have geared up with new reporting tools, and different technologies that allow our clients to use databases and documentation management systems to gain access to their information and materials. Our client portal "IRIS" provides them with everything they need to set up a fund in just one click – whether that is in Singapore, Abu Dhabi or Luxembourg. This technology is our added value – mean and lean. People who support technology will carry the business forward and Intertrust Group has launched new products that are well regarded in the industry.

What opportunities and challenges do you foresee for the family offices sector in the next five years?

Family offices will have to adapt and improve to take advantage of the opportunities being created. That will mean moving towards greater professionalism and embracing new technologies. Many expect a surge in taxes to help pay for the Covid-19 pandemic, as well as a new wave of regulations to which family offices will have to adhere; no doubt, they will be seeking advisors to navigate these complexities. We now have DAC-6 to comply with and we will have a new wave of AIFMD II for the larger investment vehicles. This is one of the tasks LAFO will undertake to see which regulations will affect family offices. Speeding up and streamlining family office operations and functions through greater professionalism will allow them to address the challenges and the opportunities created by a more diversified and agile investment approach. Family offices can have a big impact on our world in a positive way because they are preparing for the future and therefore tend to look to the longer term.

MORE INFORMATION
www.intertrustgroup.com

BÉRENGÈRE LAUNAY
SPUERKEESS

FAMILY MATTERS

FOR THE FAMILIES HAVING RECENTLY SETTLED IN LUXEMBOURG OR ALREADY PRESENT FOR SEVERAL YEARS, THERE IS A RECURRENCE OF QUESTIONS ABOUT ASSET STRUCTURING" SAYS BÉRENGÈRE LAUNAY, WEALTH PLANNING EXPERT - PRIVATE BANKING AT SPUERKEESS. THESE INQUIRIES, OBSERVED ON THE LOCAL MARKET, HAVE MULTIPLIED GIVEN LUXEMBOURG'S INTERNATIONAL ENVIRONMENT. EXPERTS WITHIN SPUERKEESS PRIVATE BANKING HELP CUSTOMERS NAVIGATE THESE ISSUES.

© DR

AN OBSERVATION ABOUT THE LUXEMBOURG MARKET

Wealthy families living in Luxembourg are increasingly faced with questions about how to preserve their assets. They have the same questions, whether they own financial assets, real estate, businesses or art!
Family disagreements or misunderstandings between generations can arise concerning the objectives, vision, and medium- and long-term priorities. These aspects have an impact on how the family assets are managed, complicating handovers and intergenerational cohabitation.
For these reasons, families are thus seeking experts to help them best structure the way their assets are held, managed and passed on and to organise the relationships between family members.
In short, they want to structure their wealth sustainably

A PHENOMENON HEIGHTENED BY AN INTERNATIONAL ENVIRONMENT

In Luxembourg, the issues families are encountering, generally have an international component. The reasons are varied and include family ties outside of Luxembourg, the mobility of the younger generations, and non-Luxembourg investments. It can be beneficial to adopt certain practices in order to better master the framework in Luxembourg as well as in countries where the families have ties. This helps to avoid certain pitfalls and can also offer opportunities.

> "WEALTHY FAMILIES LIVING IN LUXEMBOURG ARE INCREASINGLY FACED WITH QUESTIONS ABOUT HOW TO PRESERVE THEIR ASSETS."
>
> BÉRENGÈRE LAUNAY, WEALTH PLANNING EXPERT - PRIVATE BANKING, SPUERKEESS

What will the legal and tax treatment be for a particular company or philanthropic structure? What is the applicable law for my marital property regime, for my succession? Do contracts signed before my arrival still remain valid in case I become incapacitated?
There is a risk that, once you have settled in Luxembourg, some of the arrangements you made will no longer be relevant.

WHAT ARE SOME POTENTIAL SOLUTIONS?

Solutions need to address legal and tax issues, as well as psychological and sociological aspects. Experts in many fields need to join forces to cover such a wide array of topics!
From a legal standpoint, family property law and corporate law are two pillars for dealing with these subjects, but private international law and tax law also need to be considered.
At the sociological and psychological levels, advisors focused on providing family support are invaluable allies who deploy their own tools to establish a proper family governance.

Spuerkeess is Luxembourg's preeminent bank, leader on the national market and rooted in the local economy. With a single shareholder, the Luxembourg State, it offers its customers a wide range of services and is ranked among the safest banks in the world (rated AA+ by Standard and Poor's).

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MATHIEU VILLAUME
IQ-EQ

MOVING FROM PROVIDER TO PARTNER

MATHIEU VILLAUME, HEAD OF PRIVATE WEALTH FOR LUXEMBOURG AT IQ-EQ, SAYS FAMILY OFFICES HAVE INCREASINGLY COMPLEX NEEDS, AND TO MEET THEM PROVIDERS NEED A DEDICATED OFFERING SEPARATE FROM FUND ADMINISTRATION – OTHERWISE LUXEMBOURG FIRMS COULD SEE CLIENTS GO ELSEWHERE.

What trends are emerging in the family office sector?

Wealthy individuals and the family offices that serve them are becoming increasingly sophisticated in line with the globalisation of families and their assets. Indeed, family offices have more diverse portfolios and strategies than ever before. Previously they would likely focus on a single asset class or element such as alternatives or UCITS, but now family offices tend to have an array of listed assets, real estate and debt, which means upgrading operations and integrating new technologies for both operational and reporting purposes. Family offices are having to professionalise and adhere to strong governance practices in order to handle the growing complexity of family wealth management and mitigate the risks that come with increased cross-border exposure.

Further, family offices are needing to ready themselves with succession planning for the impending 'great wealth transfer', which will see trillions of dollars of family wealth pass between generations globally over the next two decades. In line with this, we're seeing a number of additional trends among family offices as the next generation takes the helm of family fortunes. For example, there is a clear move towards 'exciting' private equity and venture capital opportunities; we're seeing increasing emphasis on direct investing in private markets and private funds are fast emerging as a vehicle of choice in this regard. Also, more and more families are focused on Environmental, Social and Governance (ESG) matters and impact investing, and are embracing technology.

How does this affect the future of Luxembourg's financial industry?

In light of this family office evolution, Luxembourg's financial industry needs to be able to provide clients with a wider range of services – especially given the increasing competition from other leading EU jurisdictions such as Ireland, particularly in relation to advances in technology and data handling. A lot of the financial players in the Grand-Duchy are now owned by investment funds whose strategy is global rather than focused on Luxembourg. Developing a national strategy is vital to ensure head offices don't leave the country, ultimately taking transfer agency and central administration with them. Industry players in Luxembourg must also be careful not to focus too heavily on their own tools, such as building their own APIs with banks. Rather, we should work together to create an open API to help Luxembourg keep standing out as a leading international financial centre.

Regarding families' increasing interest in private funds, Luxembourg stands strong with its well-established specialised investment fund (SIF) and the société de gestion de patrimoine familial (SPF) regime, which both offer great flexibility and efficiency. Also noteworthy is Luxembourg's 2012 Family Office Act. Although it ultimately did not create a great deal of momentum but simply legalised an existing situation, we can still leverage it because there is no similar legislation in Europe. Lastly, Luxembourg is a jurisdiction of choice for setting up a family office and structuring family wealth because we have all the business partners, financial institutions, and hopefully in the future a technological edge, giving us the capacity to attract talent from all over the world.

How is IQ-EQ shaping its offering to meet its clients' needs?

IQ-EQ has supported family offices and the ultra-high-net-worth community with an array of private wealth services for over 50 years, but earlier this year we launched our dedicated and holistic Family Office Services offering. This was developed in response to our family office clients embracing more sophisticated governance as well as international and multi-asset class investment strategies, and it encompasses both traditional fiduciary and administration services and more recent requirements such as ESG reporting, deal flow and regulatory compliance. It also includes our innovative IQ-EQ Cosmos investor reporting platform, which now offers a bespoke family office dashboard providing a complete view of family wealth. In addition, we've further developed our IQ-EQ CrossDeal platform, connecting investors to private deals in the alternative assets space.

In short, we are everywhere in the value chain – not just an administrator but a business partner, not only accounting but reporting, not just corporate services but deal introductions, not just tax compliance but tax efficiency. This is where our offering is moving, to become a trusted partner – helping families with all aspects of their wealth and through every step of their journey.

What opportunities and challenges lie ahead for family office service providers over the next five years?

The challenge and opportunity is to find the right balance between regulated structures and family office organisation. There is a need for sustainability in the wealth transfer process – we are working with not one family generation but three, which requires creation of a long-lasting environment, not one-shot SPVs and short-term solutions. In the US market for instance, family offices have been organised for centuries using trusts and endowments. They are not looking at assets or investments piece by piece but have a proper organisational strategy. Our future is helping our clients build that structure, particularly as family offices operate increasingly like institutional investors and as the international regulatory landscape grows in complexity.

We must be a centre of excellence to which families will come for generations, based on trusted, well nurtured relationships and a long-term, multi-generational approach. That means climbing the value chain and evolving from provider to partner. The future of our business is to ensure that we are the first call our clients make, because we know their structure and their parameters and can guide them through the complexity of their own wealth.

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JOHAN LINDBERG
RBC INVESTOR & TREASURY SERVICES

FAMILY OFFICES ARE BECOMING MORE INSTITUTIONAL

JOHAN LINDBERG, MANAGING DIRECTOR FOR GLOBAL CLIENT COVERAGE AT RBC INVESTOR & TREASURY SERVICES IN LUXEMBOURG, SAYS THE COUNTRY'S FAMILY OFFICE ACT OFFERS A WEALTH STRUCTURING MODEL PARTICULARLY SUITED TO WEALTHY FAMILIES WHOSE MEMBERS ARE SPREAD ACROSS DIFFERENT COUNTRIES.

How is RBC Investor & Treasury Services involved in family office businesses?
As a group, RBC has worked with family offices for a long time, both in wealth management and capital markets, in Canada, the UK and in the USA. At RBC I&TS we have started to see family offices seek our services for wealth structuring vehicles, which are similar to those used by the private equity and real estate sector. Since the introduction of Luxembourg's Family Office Act of December 2012, structuring has become increasingly important to the sector; the Luxembourg partnership model is particularly suited to families that may have members in different countries and who become limited partners in the structure. A structure with general partners would fit families where independent decisions on investments and strategic wealth management are made by the GP board often involving the family head and the CEO of the family office.

Which trends do you see in this sector?
We have witnessed an increase in institutionalisation of family offices, using more sophisticated investment products including the use of funds to render the management of family wealth more efficient, which began with Luxembourg's SIF legislation in 2007 but has become more pronounced since the passage of the Family Office Act, with the fund structure replacing accounts at a private bank. This means that activities that previously were completed solely within private banks have been outsourced to the asset servicing industry, driven by a favourable structure for sophisticated investments, cost efficiency and preparation for future succession within the family. As family offices become more institutional in the way they manage assets, they are adopting institutional practices and as a result are treated like institutional managers. These practices include consolidating assets into a single structure, enjoying buying power with investment banks and other service providers, as well as gaining easier access to more sophisticated products. We are responding by adopting a regionalised approach – I look after the Nordic region – with coverage officers who are close to our clients and speak their language. While family offices may feel nervous about leaving their comfortable relationships with private banks, they will find we provide the same comfort and regional expertise.

How do you see family office servicing evolving over the next five years?
As the asset servicing side of RBC's business in Luxembourg, we expect the family office segment to grow significantly and anticipate a surge in the number of partnership structures created for families. Following Luxembourg's example, other fund jurisdictions such as Ireland are looking at partnership legislation, so Luxembourg will see more competition in future. But, RBC's service model is domicile agnostic between Luxembourg and Ireland in the same way as with managers establishing private equity, real estate, infrastructure and debt investment structures. RBC I&TS will be well placed to advise family offices on vehicles and on the selection of partners to manage structures in the Grand-Duchy. For example, family offices will often need tax services, so the Big Four firms are usually involved in fund structures, and they can benefit from our network of relationships there. We help the client create the ecosystem surrounding the fund alongside providing key functions such as depository / custodian – as an AA-rated bank, we offer families risk mitigation – alongside other core services such as administration. We also provide access to wider group businesses as RBC Capital Markets and RBC Wealth Management.

YACINE DIALLO

CHARLES RUSSELL SPEECHLYS – AVOCATS

FAMILY CAPITAL – TRENDS AND ANTICIPATED EVOLUTIONS

CHARLES RUSSELL SPEECHLYS PARTNER YACINE DIALLO SAYS THE INTEREST FOR FAMILY OFFICES IS BOOMING AS AN ANSWER TO THE TREMENDOUS CHALLENGES WEALTHY FAMILIES ARE FACING TO PROTECT AND PRESERVE THEIR ASSETS IN AN EVER MORE GLOBALISED AND REGULATED WORLD.

What trends do you identify in the family office sector?

Let me start by the unprecedented experience we are ready to live. During the next 20 years, we will see across the globe a massive transition of wealth between generations. As an illustration, over the next decades, we are expecting that over USD 15 trillion worth of assets should pass to the next generation. If we look back, the transfer of wealth has never been an easy process. In a complex, globalised and interconnected world, this task will generate extraordinary complexities. This should result in a reshape of part of the family offices' industry. We are already seeing the creation of new structures, adopting innovative strategies and wanting to have new forms of economic and social impacts. On another note, in the course of the last decades we have noted in all regions of the world an increase of regulations affecting the financial industry. When it comes to tax, the OECD has realized an impressive work and lobbying towards anti-tax avoidance rules. Europe Union has implemented Directives such as the Anti-Tax Avoidance Directive and DAC6. These new rules affect wealthy and international families on the cross border management of their assets. Family offices should typically enable them to access to the resources and infrastructure allowing them to cope with this new and complex compliance requirements.

How the legal industry is typically assisting family offices?

The flourishing of family offices mainly results from the duo multi-jurisdictional assets location and increasing complexity of regulations. In this context, we have seen an increasing need for assistance of families on the structuring and management of their professional assets. Cross border matters are creating a need for assistance of legal practioners able to provide a consolidated assistance addressing all the relevant aspects.

It is a fact that since decades family offices have been very active on the real estate sector. This class of assets is still highly prized by family offices. That being said, the younger generation tends do be more dynamic on their investment strategies and increasingly active in the private equity and venture capital sectors. We are seeing family offices increasingly co-investing with PE and VC investment houses, sometimes on major transactions. In this respect, an alignment of structures, instruments, methodology and sometimes philosophy between financial institutions active in the alternative investment sphere and family offices is noticed.

What challenges and opportunities do you identify for family offices over the next five years?

For the next five years, challenges for family offices will probably constitute their main opportunities. Families will need to be more sophisticated in their internal organisations in order to permit additional transparency and to comply with reporting obligations. These challenges should allow them scaling staff resources.

On the same time, the transition of wealth to the next generation will generate major challenges including family/corporate governance issues to be carefully managed. In parallel, families seem increasingly keen to have an impact on their communities. The philanthropy is gradually being replaced by the impact investing model. This trend implies a strict and rigorous valuation and monitoring of the social impact as well as the ambition to apply the best standards to ensure a sustainable economic model. Last but not least, the end of the current Brexit process will generate a significant level of uncertainty having in mind the importance of the UK in this industry. That being said, this will also generate opportunities.

“FAMILY INVESTMENT IS THE BACKBONE OF OUR ECONOMIES.”

YACINE DIALLO,
PARTNER,
CHARLES RUSSELL SPEECHLYS (AVOCATS)

DR. REBECCA GOOCH
CAMPDEN WEALTH

RISING TRENDS OF FAMILY OFFICES'

DR. REBECCA GOOCH, DIRECTOR OF RESEARCH AT CAMPDEN WEALTH, SHARES HER INSIGHTS ON THE INCREASING FOOTPRINT OF FAMILY OFFICES WORLDWIDE, THEIR ASSET CLASS COMPOSITION AND THE IMPACT OF SUSTAINABLE INVESTMENT ON THEIR INVESTMENT STRATEGIES.

What are the main takeaways of the Global Family Office Report?
The family office space is growing rapidly. Campden Wealth estimates that the number of single-family offices has risen by 38% worldwide over the last two years. There are now an estimated 7,300 single-family offices globally, with 42% in North America, 32% in Europe, 18% in Asia-Pacific and 8% in the emerging markets of South America, Africa and the Middle East. Private equity and real estate account for over a third (35%) of the average family office portfolio globally, respectively representing the second and third largest asset classes in which family offices invest. These two asset classes were also the top performers of 2019 with direct private equity returning an average of 16%, private equity funds returning an average of 11% and real estate returning an average of 9.4%.

Which of the main asset classes are a focus for family office activities?
Three asset classes make up over two-thirds of the average family office portfolio globally. The first is equities, which accounts for 32% of the average portfolio, followed by private equity (18%) and real estate (17%).

How is sustainable/green investment influencing family offices' activities?
Sustainable investing is becoming a very hot topic within the family office community. At present, one in three family offices invests sustainably and one in four invests in impact. While this form of investing is still relatively new within the family office space, it is becoming a bedrock within many families' investment portfolios. This is being driven, to a large extent, by the next generation, particularly by millennials. Looking ahead, we can expect to see considerable growth in sustainable investment. Within family office S.I. investors, sustainability currently makes up 19% of the average portfolio and this figure is expected to rise to 32% over the next five years. In terms of where we might see an increase in investment, private equity is an important space to watch. In fact, 76% of family offices which invest in impact use direct private equity as their vehicle. This is more than double the second most utilised asset class of real estate (32%).

"THERE ARE NOW AN ESTIMATED 7,300 SINGLE FAMILY OFFICES GLOBALLY, WITH 42% IN NORTH AMERICA, 32% IN EUROPE, 18% IN ASIA-PACIFIC, AND 8% IN THE EMERGING MARKETS OF SOUTH AMERICA, AFRICA AND THE MIDDLE EAST."

REBECCA GOOCH,
DIRECTOR OF RESEARCH,
CAMPDEN WEALTH

TONIKA HIRDMAN
FONDATION DE LUXEMBOURG

PHILANTHROPY IS NOT THE SAME AS CHARITY

TONIKA HIRDMAN, DIRECTOR GENERAL, SHOWCASES HOW THE FONDATION DE LUXEMBOURG ASSISTS PHILANTHROPISTS, MANY OF THEM SUCCESSFUL ENTREPRENEURS, IN OVERCOMING THE SURPRISING OBSTACLES TO GIVING AWAY THEIR WEALTH THROUGH LONG-TERM, STRUCTURED INVESTMENTS IN PEOPLE AND THEIR LIVES.

Giving Begins at Home

The Fondation de Luxembourg is a public utility foundation created by the Luxembourg State and the Oeuvre National de Secours Grande-Duchesse Charlotte. It sees its mission as facilitating long-term philanthropic giving on the basis of a structured approach. Tonika Hirdman says, "To me, philanthropy is about being mindful of the needs of others. It is an investment in people and lives." However, 2020 proved a special year with a greater need for emergency philanthropy, particularly in the health and research sectors. There has been a 10% increase in spending as a consequence of the Covid-19 pandemic. The Fondation de Luxembourg launched the Covid-19 Foundation at the onset of the health crisis, and it has so far received nearly €1.4 million in donations from private donors and companies in Luxembourg and other European companies. Channeling these funds to local and international beneficiaries, the Covid-19 Foundation has been able to respond to urgent and longer-term needs, such as the delivery of protective equipment, emergency air transport for patients and support for drug users, the homeless and victims of domestic violence.

> "TO ME, PHILANTHROPY IS ABOUT BEING MINDFUL OF THE NEEDS OF OTHERS. IT IS AN INVESTMENT IN PEOPLE AND LIVES."
>
> TONIKA HIRDMAN,
> DIRECTOR GENERAL,
> FONDATION DE LUXEMBOURG

The "Why" of Giving

Ms. Hirdman says there are different reasons for why people engage in philanthropy. For example, the foundation has seen an increase among entrepreneurs who wish to give back to the community by giving others the same opportunities they themselves have had. Others see it as sharing a passion, like opening their art collection to the public so that others may enjoy it. For many philanthropists, it can be a question of leaving a legacy, a footprint that will last beyond their own lifetime. Such legacies can include transmitting family values and teaching their children to become socially aware. And why Luxembourg? While tax incentives are not the main reason why someone engages in philanthropy, they do enable people to give more. Luxembourg enjoys a fiscally-friendly, stable economic and political environment, and provides a strong base for the long-term endeavor of engaging in philanthropy.

You Can't Take It with You

The US tycoon, Andrew Carnegie, sought to give away his astonishing fortune before he died. But he underestimated the challenges he would encounter, claiming, "It is more difficult to give money away intelligently than it is to earn it in the first place." However, Tonika Hirdman says there are a few key principles that can guide those determined to give away their wealth. She says they need to know and understand the causes and organisations with which they wish to become involved. Evaluating the governance of such bodies and their capacity to execute projects with the available funding is also important. Philanthropists should understand the impact of their giving and be aware of the outcomes they want to achieve while measuring progress in relation to these goals. Aligning the philanthropists' interests and motivations with the most needy causes is also important to make the engagement more relevant.

“DECIDING BETWEEN A MULTIFAMILY OFFICE VERSUS SINGLE-FAMILY OFFICE IS MAINLY A COST-DRIVEN CHOICE BASED ON THE SIZE OF THE FAMILY WEALTH.”

ARNAUD DECRULLE,
CEO OF BELAIR HOUSE

ARNAUD DECRULLE
BELAIR HOUSE

RESOLVING THE SINGLE- VS MULTIFAMILY DILEMMA

CONTRARY TO POPULAR OPINION, BEING VERY WEALTHY IS COMPLICATED. WEALTH COMES FROM DIVERSE SOURCES AND IS DIRECTED TO ACHIEVE HIGHLY VARIED OUTCOMES. FAMILY OFFICES CAN REDUCE THE BURDEN. ARNAUD DECRULLE, CEO OF BELAIR HOUSE ASSESSES THE FACTORS IN DECIDING WHETHER A SINGLE- OR MULTIFAMILY OFFICE MEETS EACH FAMILY’S UNIQUE GOALS.

Tailor-Made

The genesis of wealth can be highly diverse whether it is inherited or is earned from successful entrepreneurial activity. It often arises in parts of the world that are not as stable and secure as others. In terms of lifestyle or wealth protection, the objectives of one family are as dissimilar to those of every other family. But rich families seek and can afford tailor-made solutions to the tribulations that great wealth brings. Arnaud Decrulle helps wealthy families responds to the diversity and complexity by advising on whether single- or multifamily structures are best suited to the needs of individual families.

Single Size Won’t Fit All

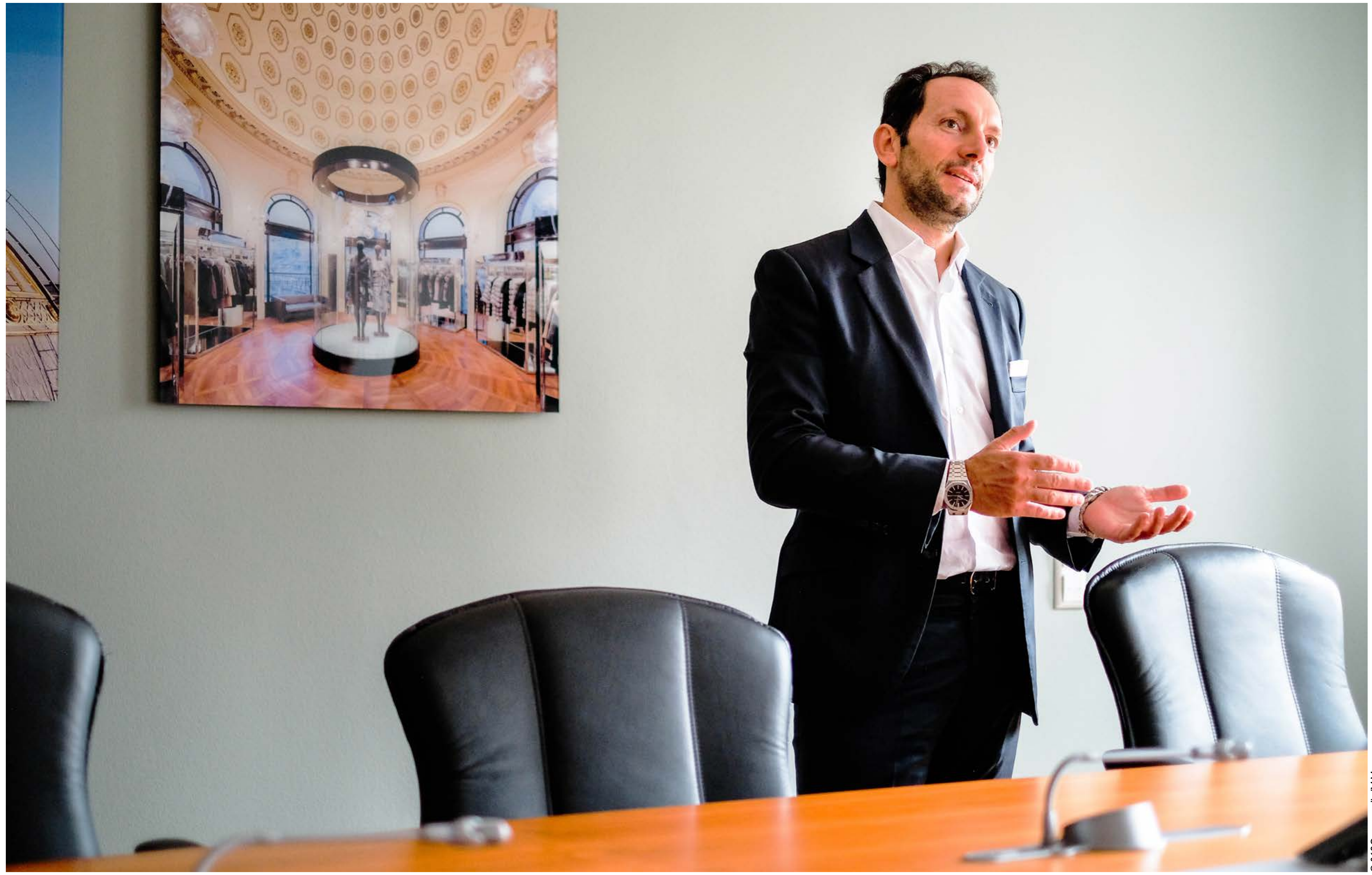
Mr. Decrulle says that adopting the family office model is appropriate when a family’s worth starts in the €30 million to €50 million range that coincides with the definition of “ultra-high net worth.” In this range of wealth, a multifamily office that manages the affairs of between two and five families allows for the sharing of overheads. Not requiring full-time specialists for each aspect of wealth management, families gain access to say, 10% of the skilled tax specialist; 20% of an experienced portfolio manager and 20% of an alternative investment manager etc. There are also the commercial multifamily offices targeting a significantly greater number of families, with tens but not hundreds of families under one roof.

Size is Not the Sole Criterion

“Deciding between a multifamily office versus single-family office is mainly a cost -driven choice based on the size of the family wealth.” But size is not the sole criterion. There are geographical, cultural and strategic issues that can influence the decision. Mr. Decrulle quotes the experience of a serial entrepreneur whose single-family office managed his legacy investments. But there were neither the skills nor the strategic fit to manage and monitor his real estate investments. The entrepreneur, therefore, decided to appoint a multifamily office to oversee that aspect of his portfolio. A Middle Eastern family office chose to address cultural, geographical and risk diversification issues when they appointed a Luxembourg-based multifamily office to separately monitor their tangible assets and structures located in continental Europe.

MATTEO NOVELLI
BORLETTI GROUP

THE COST OF BEING WEALTHY



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MANAGING YOUR WEALTH ON A DIY BASIS ISN'T IMPRACTICAL WHEN IT RUNS INTO TENS OR HUNDREDS OF MILLIONS OF EUROS. MATTEO NOVELLI, MANAGING DIRECTOR OF THE BORLETTI GROUP SAYS DEFINING YOUR FAMILY OFFICE'S MISSION IS THE FIRST STEP IN DETERMINING THE COST OF RUNNING ONE.

Can You Afford it?

Despite the words attributed to the banker John Pierpont Morgan that, "If you have to ask how much it costs, you can't afford it," Matteo Novelli, Managing Director of Borletti Group says the first question wealthy families or successful entrepreneurs ask him is: What is the cost of setting up a single-family office versus the cost of joining as a multifamily office or compared to the cost of working with private banks? Mr. Novelli responds that while it is an important question, it is also a tricky one. He says, "If you compare ten family offices, you will realise that they are all very different in terms of structure, in terms of mission and in terms of the services they provide."

Mission Statement

If you want to discover the cost of running a family office, you have to start defining its mission of which there is a large menu says Mr. Novelli. Families seek to achieve their goals through their family offices providing a wide variety of financial services. These generally include asset management, risk management, asset allocation financial planning etc. But family offices also offer a range of administrative services for a family that may include concierge services, impact investing or the conduct of philanthropic assignments. There are also a wide variety of internal, external, direct and indirect costs for which a family office has to account.

Beware Hidden Costs

Mr. Novelli believes that minimum size of wealth families should consider setting up single-family offices is €150 million to €200 million. Below that range it may be more attractive and could create more value to join a multifamily office. The cost of a family office is between 0.8% and 1.5%. It is usually based on the value of the assets under management. However, Mr. Novelli warns that such costs do not include indirect costs arising from hedge funds or private equity funds into which the family office is buying. Fund administration costs need to be carefully monitored as it may be more attractive to hire investment professionals internally.

"IF YOU COMPARE TEN FAMILY OFFICES, YOU WILL REALISE THAT THEY ARE ALL VERY DIFFERENT IN TERMS OF STRUCTURE, IN TERMS OF MISSION AND IN TERMS OF THE SERVICES THEY PROVIDE."

QUESTION MATTEO NOVELLI, MANAGING DIRECTOR OF BORLETTI GROUP SAYS IS THE FIRST QUESTION HE IS ASKED BY WEALTHY FAMILIES OR SUCCESSFUL ENTREPRENEURS

PAUL WESTALL
AGREUS

BEHIND THE SCENES OF WEALTH MANAGEMENT

STAFFING IS THE LARGEST OUTGOING IN THE COST OF RUNNING FAMILY OFFICES. AS THE SERVICES FAMILY OFFICES ARE INCREASINGLY PROFESSIONALISED, PAUL WESTALL A DIRECTOR OF AGREUS SAYS IT IS IMPORTANT WEALTHY FAMILIES UNDERSTAND REMUNERATION RATES AND BENCHMARKING SO THEY'RE NOT PAYING ABOVE OR BELOW WHAT OTHER FAMILY OFFICES PAY.

Professionalising Wealth Management

Paul Westall's job as a Director of Agreus is to ensure family offices not only find the right staff but that they are properly remunerated. The skillset required has expanded to embrace all aspects of asset management, risk management, tax and succession planning not to forget concierge services for family members and engagement in philanthropic activities. The need for a high levels of specialisation has seen a steady professionalisation of the staffing of family offices. Mr. Westall says, "It is now seen as a genuine career path for high calibre job seekers."

Running Costs Not Running Away

Because of the diverse range of activities families expect from family offices and the frequent complexity of the structure of how wealth is managed, the operation is expensive. It costs around 1% off the assets under management to run a family office. With ten years of experience in the field of recruitment and setting the compensation and benefits of the staff of family offices, Mr. Westall is unequivocal: "As 60% of the total cost of running a family office is allocated to staff compensation and benefits it is an aspect you really have to get right." With the aid of Agreus benchmarking research families can ensure they are not paying above or below what is paid across the family offices industry.

A Bonus to Pick with Family Offices

One of the biggest areas of contention in the remuneration packages of family offices is bonus payments. These are as high as 50% of a basic salary in Asia but lower elsewhere. Agreus always recommend a family office don't implement a bonus structure until an employee has had at least one year in the employment to gain insight into their performance. But it can be a complex process for example where a family office is devoted to wealth preservation so stellar performance is not a job requirement. When family offices have a strong philanthropic mission, a high bonus structure is unlikely to be sustainable or compatible with the office's aims.


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PAUL WESTALL,
DIRECTOR, AGREUS

ISABELLE AZOULAI AMIEL

LA MAISON

ACCESS TO RESILIENCE

OUR DAY-TO-DAY DEPENDENCE ON TECHNOLOGY DURING THE COVID-19 PANDEMIC HAS DEMONSTRATED THE RESILIENCE OF THE TECH SECTOR SAYS ISABELLE AZOULAI AMIEL, MANAGING PARTNER AT LA MAISON COMPAGNIE D'INVESTISSEMENT. AND SHE EXPLAINS HOW LA MAISON'S MODEL, METHOD AND NETWORKS HELPS SECURE GLOBAL ACCESS TO THIS SECTOR'S MOST SOUGHT-AFTER INVESTMENTS.

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"FOR THE FIRST TIME THE TECH INDUSTRY HAS BECOME A VERY RESILIENT INDUSTRY, A VERY SAFE AREA TO PUT INVESTMENTS. THAT CONTRASTS WITH PEOPLE'S PAST MINDSET: THAT TECH WAS ALWAYS A BUBBLE AND ALWAYS OVERVALUED."

ISABELLE AZOULAI AMIEL,
MANAGING PARTNER, LA MAISON

Can you describe La Maison in a few words?
The idea for La Maison was not as an investment vehicle - but an investment club founded by Michel Cicurel. We brought 15 families to share deals they couldn't normally have access to. From the start we told them we didn't just want their capital but their personnal presence and the value they could add. Our first investment vehicle after the evergreen holding was a tech fund investing in Israel with our members helping firms gain access to European markets. We have since created a growth opportunity fund in the Silicon Valley and the same thing in China.

How can institutions invest with La Maison?
The founding members didn't want to let everyone in as that would dilute the values of the club. So, we let in young family lines with a minimum of €5 million, as associates, not directly, but through limited partnerships of the new funds. We co-opted families that really want to bring value and create something around the ethos of the club. Now, for the first time, the fintech fund will be open to institutions but not families so the ticket is €10 million. We already have three big institutions that have decided that they will join this new club. Looking ahead it's very open, we might do another Silicon Valley fund in the next year and we are talking to families about another Israeli fund in the next two years.

How would you describe start-ups' strengths and weaknesses in the US, Europe, Asia and Israel?
The Israeli tech environment is unique: there is no Israeli market. Tech companies are founded and organized to be international from day one. That contrasts with Silicon Valley with mega-growth venture funds who mentor start-ups. But like in Israel, investments are super hard to access. You have to fight for the best investments bringing something more than just capital. Access in China is even worse. It is essential to partner up and give your trust to others if you want to engage in the tech market. We decided not to invest in international companies, only in companies that focus on China's huge local market. In the last five years, France has not offered the environment to help tech companies become "unicorns". There is a lot of early-stage funding and then nothing to help growth. If the good ones weren't bought by the Americans or the Chinese, they'd stay as mid-level companies or die. But it's now changing, the French government has launched an initiative to encourage the growth venture industry to start thriving.

How would you analyse the current economic context?
During the worst of Covid-19, tech enabled us to survive, to communicate and to buy food. It created a huge opportunity for the sector. I told my investment committee, "For the first time the tech industry has become a very resilient industry, a very safe area to put investments. That contrasts with people's past mindset: that tech was always a bubble and always overvalued." Now if you look at tech companies' results, they have been growing and growing, a lot of unicorns now have the capital to become profitable which no one thought would happen. If you look at the health or food tech industry, there is a lot to do. This Covid period has changed perceptions that will help the tech sector perform well.

DANIEL GROSSMANN
KHARIS CAPITAL

LEARNING THE LEGACY OF AVANT- GARDE INVESTING

INSPIRED BY YEARS INVESTING FOR WEALTHY FAMILIES, WE ADOPTED AN AVANT-GARDE, COLLABORATIVE BUSINESS MODEL, FOCUSED ON BUILDING HUMAN PARTNERSHIPS THAT RELY ON DEEPLY ROOTED FAMILY VALUES, SHARING KNOWLEDGE AND TAKING TIME TO CONTRIBUTE TO A COMPANY'S DEVELOPMENT, SAYS DANIEL GROSSMANN, MANAGING PARTNER AND CO-FOUNDER OF KHARIS CAPITAL.

"WE HAVE THE 'TIME TO BE IMPATIENT' FOR A LONGER PERIOD OF TIME THAN CONVENTIONAL INVESTORS."

DANIEL GROSSMANN,
MANAGING PARTNER,
KHARIS CAPITAL

What is Kharis Capital's background?

Both my partner, Manuel Roumain, and I have invested on behalf of wealthy families. I previously worked for a prominent Belgian family behind Anheuser-Busch InBev, the world's largest brewing company. To a certain extent, they were pioneers investing directly, not through funds, which today more commonly is an aspiration of many family offices; it's a new age in private equity, PE 2.0. What we learned was the benefit of time, when investing in companies; the benefit of taking a long-term view and hence to become a stable partner to grow and develop businesses. Families and long-term investors are indeed not bound by typical boundaries of private equity, such as time constraints, risk diversification and investment allocation. Looking at these changing dynamics in the private equity landscape, Manuel and I decided to join forces and we launched Kharis Capital in 2015.

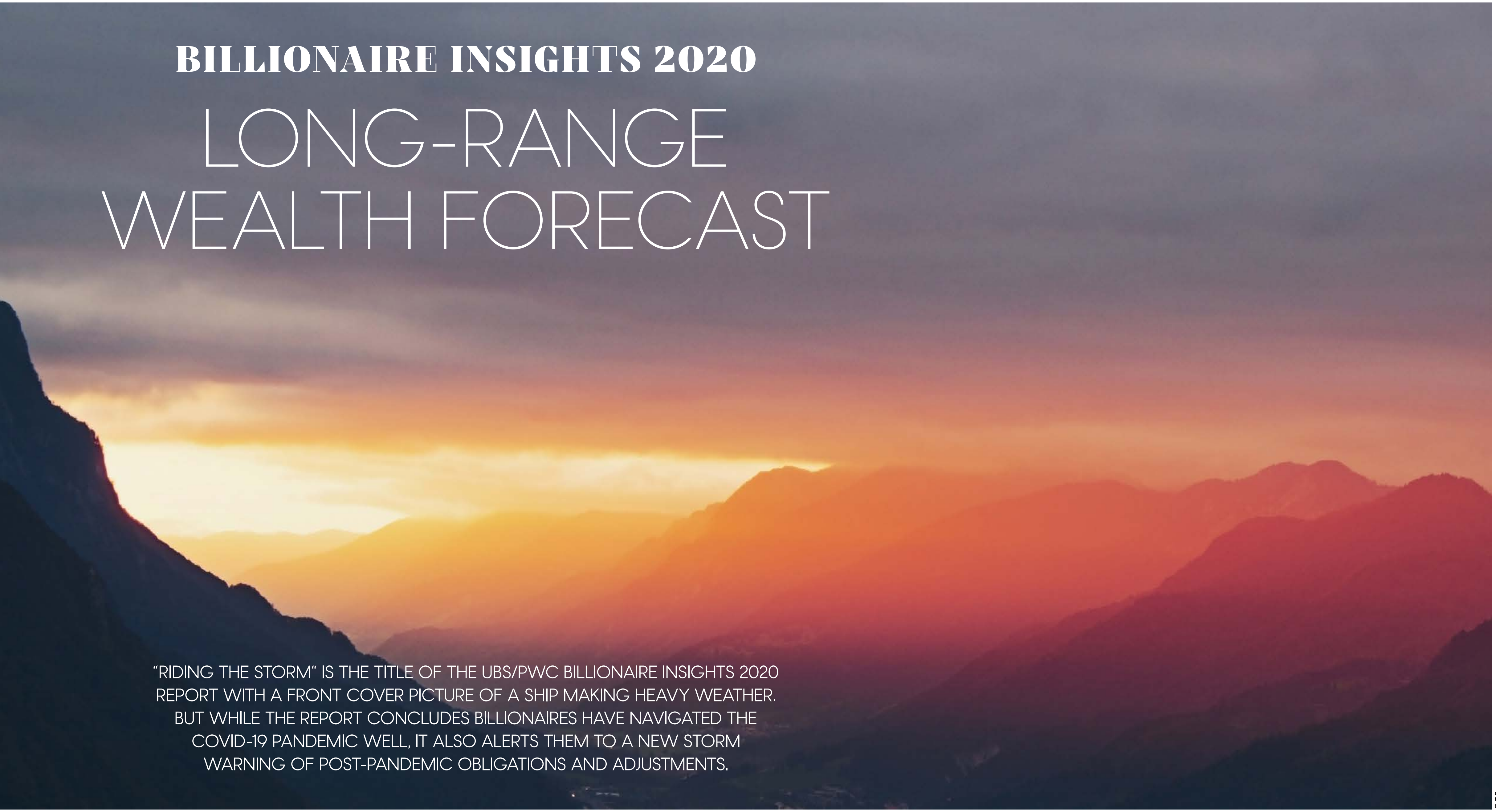
How would you describe the evolution of your business model?

We wanted to introduce an innovative model which would allow families to invest directly in companies with the same disciple as the top ties PE firm, at a time when the market was still relatively nascent: there were indeed increasing numbers of families looking to deploy capital directly. There were also an increasing number of entrepreneurs or family-owned businesses looking for a different type of partner to accompany them in the future development of their companies. We formed Kharis Capital to drive growth: we support companies in growing domestically and internationally; in their digital transformation journey and in leveraging and pushing their brand assets. We take an entrepreneurial, pragmatic approach when engaging with our companies; we actively and creatively participate in all aspects that drive our equity story, but that requires time; successfully building deploying a brand can indeed take years. We have therefore consciously chosen to allow ourselves the time to be impatient for a much longer period than conventional investors.

What is the "secret" of your model?

Aside from our passion and main "time"-asset, when you invest in a company there is the human component; throughout the life of the investment, we must indeed collaborate with a wide range of people. We refer to this collaboration with partners, founders, co-investors, suppliers and teams as a "human partnership". It is this aspect, this human interaction and collaboration, that we nurture and cherish. It is often what makes or breaks a company. We strongly believe that people make the difference, and its often the "who" before the "how". Another "secret" of our model is to go deep, not wide. We indeed pool all our resources behind a limited number of transactions (or platforms), to gain the benefits of closely working as a team, focusing all brainpower, manpower and energy behind a single objective. To give a specific example: we felt the European fast food market was underdeveloped compared to the US and Asia. We subsequently went from acquiring the Italian and Polish Master Franchise for Burger King, to acquiring other strong brands such as Quick, O'Tacos and Nordsee, to creating a "quick service restaurant platform" (QSRP), comprising around 1,000 fast-food restaurant locations across seven European market. This provided diversification and a natural hedge for our investors in this highly resilient sector, not only compared to investing in individual assets but in terms of food offerings, consumer habits as well as geographical exposure. Technology investing is the other strong pillar of Kharis Capital; it lies at the heart of what we do in fuelling innovation, creativity and fundamentally changing the way traditional businesses operate.

MORE INFORMATION
www.khariscapital.com



BILLIONAIRE INSIGHTS 2020

LONG-RANGE WEALTH FORECAST

"RIDING THE STORM" IS THE TITLE OF THE UBS/PWC BILLIONAIRE INSIGHTS 2020 REPORT WITH A FRONT COVER PICTURE OF A SHIP MAKING HEAVY WEATHER. BUT WHILE THE REPORT CONCLUDES BILLIONAIRES HAVE NAVIGATED THE COVID-19 PANDEMIC WELL, IT ALSO ALERTS THEM TO A NEW STORM WARNING OF POST-PANDEMIC OBLIGATIONS AND ADJUSTMENTS.

© DR

"THE CRISIS HAS REMINDED US HOW UNEXPECTED THE WORLD AND LIFE CAN BE. NEITHER LIFE NOR SUCCESS CAN BE TAKEN FOR GRANTED."

SINGAPOREAN BILLIONAIRE
QUOTED IN BILLIONAIRE INSIGHTS 2020

Not Such Heavy Weather

Many billionaires have seen a storm surge of wealth as a result of the Covid-19 pandemic. The number of billionaires has risen from 2,158 in 2017 to 2,189 in 2020. Their wealth rose to $10.2 trillion, a new high. Taken at the height of the Covid-19 pandemic (July 2020) the total reflects advantages accruing to entrepreneurs in technology, healthcare and industrial sectors who benefited from the pandemic. It allowed the innovators - the scientists, computer programmers and engineers - who have revolutionised business, to fulfil the promise their disruptive entrepreneurialism. Healthcare billionaires' total wealth increased by 50.3% boosted, in particular, by the race for treatments for the coronavirus pandemic. Technology billionaires' total wealth rose by 42.5% due to increased reliance on technology during the pandemic.

Technology Sea Anchor Slows Some

On the other hand, billionaires in entertainment, financial services, materials and real estate did not fare so well. They lagged the rest of the universe with an increase in their total wealth of 10% or less. Regardless of gains, the UBS/PwC report says the pandemic proved an opportunity for many billionaires to take stock.

There was an uptick in succession planning. Billionaires did not only consider the afterlife but also the impact the pandemic will impose on their long-term investment strategy and the structure of the family offices. A Singaporean billionaire is quoted as saying, "The crisis has reminded us how unexpected the world and life can be. Neither life nor success can be taken for granted."

Post-Pandemic Payback?

The report questioned, as they emerge from the pandemic, whether, "More than ever before, society's business innovators will be needed to balance societies books in the 2020s." On the one hand, it asks whether governments will impose higher taxes on the super-wealthy to fill the holes in their budgets created by the pandemic. On the other hand, it suggests billionaires will contribute through higher productivity and measures to reduce social inequality and tackle environmental resource scarcity. It says increasingly billionaires will seek to do this not just directly through their businesses but through philanthropy, good corporate citizenship and impact investing. "The pandemic has opened their eyes," the report concludes.

JEROME BLOCH
360CROSSMEDIA

2021 COMMUNICATION COMPASS FOR FAMILY OFFICERS

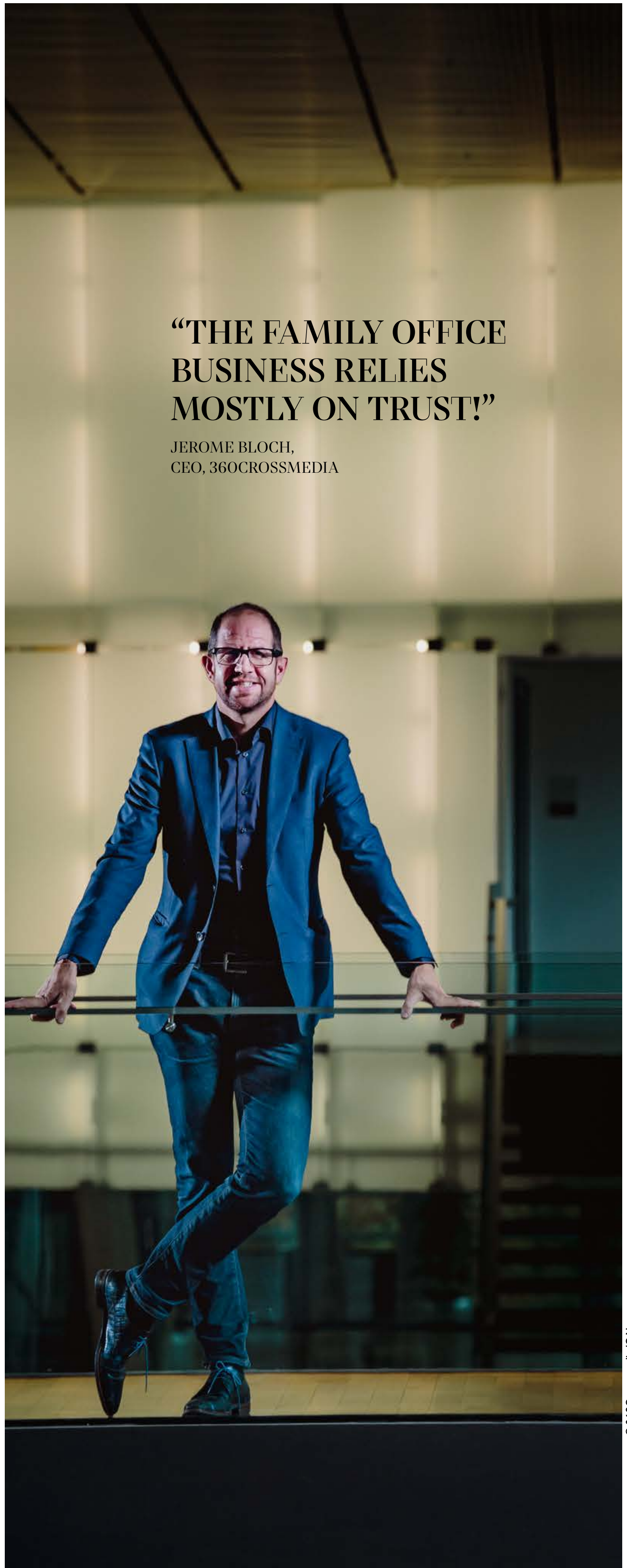
EVERY YEAR, JEROME BLOCH, THE CEO OF THE AGENCY 360CROSSMEDIA, WHICH IS CELEBRATING ITS 21TH ANNIVERSARY THIS YEAR, PUBLISHES HIS "COMMUNICATION COMPASS", FOCUSING ON THE SECTOR'S MAIN TRENDS.

Solving the content conundrum

Lockdown has led to a beneficial effect for business communications: suddenly, people who were previously unavailable for interviews and articles now have time! They have realised that the main difficulty in corporate communications lies in content creation: crafting good articles and linking publications, centred on a good narrative. Solid corporate communications is like writing a good book: it's all about developing interesting chapters which make you want to read on. However, when faced with a blank sheet of paper, most family office experts stall: either they get caught up with the technicalities of their job or they lack specific writing skills. To help them, 360Crossmedia has decided to make available the questionnaires which have contributed to its success over the last 20 years – free of charge! They take 20 minutes to complete; this then enables the author or a professional to finish the job in under an hour, which is necessary if you want to start leveraging tools such as Linkedin, e-conferences and newsletters to grow your business.

The Golden Age of Distribution

Distributing content has never been easier! Websites, social media accounts, digital magazines and conferences can be set up for a very low budget. In 2020, video has seen a huge leap forward thanks to software such as Zoom, Webex and Microsoft Teams. Now that everyone has access to this type of tool, companies are vying to show that they're ahead of the game with in-house studios, professional sound and lighting and access to live production with multiple cameras. Technologies such as the 360Box can provide any computer with an ultra-professional tool to replace a poorly performing webcam. And remember: a good article can be turned almost instantly into a video with a prompter. I predict that the next trend will be to train employees in public speaking and use green backgrounds for important calls. Not only will this produce better videos, clearer messages and better business performances, but it will also lead to better team management and exchanges at all levels of the company.



> "THE FAMILY OFFICE BUSINESS RELIES MOSTLY ON TRUST!"
>
> JEROME BLOCH,
> CEO, 360CROSSMEDIA

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The Secret of Success : data!

Now that everyone can communicate like a pro, success depends on a company's ability to be heard! For example, what's the point of publishing on LinkedIn every day if there are fewer than 10 likes on average? Google has made it easy to establish a culture of measurement which is proving to be very valuable today. Count the likes on social media, the number of views on YouTube and the number of clicks on your website after publishing an article which features the URL. Send newsletters to find out who reads what, which articles hit the mark and which format failed to find its audience. In 99% of cases, we help family officers to move from narcissistic – and unengaging – communications to communications which address sought-after solutions to the problems of their clients and their prospective clients. In other words, manage your communication like you manage your investments!

MORE INFORMATION
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