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News Release

Family Offices enjoy a bumper year as investment performance more than doubles

Global Family Office Report 2018: the world's leading family office research study offers insight into performance, investments and structural issues

Key findings:

- **The average family office portfolio returned 15.5 percent in 2017, up from seven percent the previous year**
- **Alternatives now constitute nearly half of the average family office portfolio**
- **Almost two fifths of family offices are now engaged in sustainable investing**
- **Slow progress on preparing for generational transfer**

Zurich/London, 25 September 2018 – UBS, in partnership with Campden Wealth Research, has today launched its annual report on family offices globally. The Global Family Office Report 2018 surveyed principals and executives in 311 family offices around the world, with an average size of USD 808 million assets under management.

Investment performance more than doubles as family offices benefit from bull equity market
Having returned seven percent in 2016, and just 0.3 percent in 2015, the average portfolio delivered returns of 15.5 percent last year.

This accelerating performance was driven by family offices' continued preference for equities in the context of a strong bull market. 28 percent of the total average family office portfolio is now comprised of equities. Improved performance can also be attributed to strength within the private equity space, which comprises over a fifth (22 percent) of the average portfolio and has delivered returns of 18 percent in 2017.

Reflecting this year's upward performance levels, almost half (48 percent) of family offices reported that their assets under management increased over the year.

Sara Ferrari, Head of Global Family Office Group, UBS AG, said: "Family offices have delivered their strongest returns since we began measuring their performance five years ago. This reflects the bull market, as well as family offices' ability to take a long-term approach and embrace illiquidity.

"For the first time since we have been analysing this data, Asia has led the way on performance, benefiting from a relatively high exposure to developing market equities and the high number of private equity deals in the region. Following a path we've seen in other regions, we're also seeing family offices in developing markets becoming increasingly sophisticated and institutionalised. We expect this trend to accelerate in the coming years."

Dr. Rebecca Gooch, Director of Research, Campden Wealth said: "In addition to the robust average family office portfolio performance of 15.5%, we have witnessed a significant growth and professionalization of the family office space since the turn of the millennium. One-third of all responding family offices now have secondary branches, half have reported that their AUM has increased year-on-year, and three-quarters reported that the wealth of the families they serve has risen over the last 12 months."

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Trend towards riskier, more illiquid investments continues
The year saw a continuation of family offices' drive towards higher risk, more illiquid investments in their pursuit of yield. As part of this, nearly half (46 percent) of the average family office portfolio is now allocated to alternative investments.

Private equity has maintained its momentum, with allocations having increased over the year to 22 percent. While allocations to hedge funds have continued to slow, real estate has seen a slight rebound in popularity. After a small decline in allocations in 2016, family offices have increased their exposure to real estate direct investments to 17 percent of the average family office portfolio.

When asked about their investment intentions for the coming 12 months, half of family offices reported that they intend to invest more in direct investments, namely private equity. Over a third also noted that they plan to increase their allocations to developing market equities, private equity funds and real estate direct investments.

Family offices increasingly manage their wealth with purpose
Over one third (38 percent) of family offices are now engaged in sustainable investing. As part of this trend, impact investing has experienced a particularly significant increase in participation; the amount of family offices making such investments has increased from one quarter in 2016 to one third in 2017. The most common areas of investment are education; housing and community development; agriculture and food.

More broadly, nearly half (45 percent) plan to increase their sustainable investments over the next 12 months while, looking further ahead, 39 percent of family offices projected that when the next generation takes control of their families' wealth, they will increase their allocation to sustainable investing.

Sara Ferrari said: "Families of great wealth feel a deep-seated obligation to make a positive impact on the world, which is reflected in a consistently high level of philanthropic activity. The family office structure allows them to go further and translate their values into financial returns through impact investment. Yet many are still to be persuaded to cross the line from interest to action. The appetite is there, but more work needs to be done to demonstrate the investment case and create opportunities."

Dr. Rebecca Gooch said: "Impact investing will be an important space to watch over the coming years. Our research shows that the next generation, and millennials in particular, are driving impact investing within the family office space. This is key as we are on the precipice of a major generational transition set to take place over the coming 10 to 15 years. This could result in the growth and transformation of the impact investing arena."

Slow progress on preparing for looming wealth transfer
70 percent of family offices expect a generational transfer in the next ten to 15 years. Next-gen family members are taking a more active role within the family office, indicating that the handover is beginning to take place. Amongst the next generation of family members, three in ten (29 percent) now hold management or executive roles, while 23 percent sit on the board.

However, half of all family offices do not have a succession plan in place. Indeed, there has only been a one percentage point increase in succession plans since UBS and Campden Wealth warned of the problem last year.

Sara Ferrari commented: "The next generation are clearly influencing family office direction and investment strategy, particularly on questions of sustainability and impact. But all too often, the underlying issue is not being addressed: families need to be much more proactive in tackling the issue of succession."

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Notes to Editors

About UBS

UBS provides financial advice and solutions to wealthy, institutional and corporate clients worldwide, as well as private clients in Switzerland. UBS' strategy is centered on our leading global wealth management business and our premier universal bank in Switzerland, enhanced by Asset Management and the Investment Bank. The bank focuses on businesses that have a strong competitive position in their targeted markets, are capital efficient, and have an attractive long-term structural growth or profitability outlook.

UBS is present in all major financial centers worldwide. It has offices in 52 countries, with about 34% of its employees working in the Americas, 34% in Switzerland, 18% in the rest of Europe, the Middle East and Africa and 14% in Asia Pacific. UBS Group AG employs approximately 61,000 people around the world. Its shares are listed on the SIX Swiss Exchange and the New York Stock Exchange (NYSE).

About UBS Global Family Office Group

A joint venture between UBS's Investment Bank and Global Wealth Management divisions, the Global Family Office Group focuses on servicing our most sophisticated clientele with institutional-like profiles and requirements. It offers holistic advisory services, direct access to UBS cross-divisional expertise across the globe, institutional business opportunities and an extensive peer network with dedicated teams in New York, London, Zurich, Geneva, Hong Kong and Singapore.

About Campden Wealth

Campden Wealth is a family-owned, global membership organisation providing education, connectivity, research and networking opportunities to families of substantial wealth, supporting their critical decision-making, helping to achieve enduring success for their enterprises, family offices and safeguarding their family legacy.

Campden Research supplies market insight on key sector issues for its client community and their advisers and suppliers. Through in-depth studies and comprehensive methodologies, Campden Research provides unique proprietary data and analysis based on primary sources.

Campden Wealth publishes the leading international business title CampdenFB, aimed at members of family-owned companies in at least their second generation.

Campden Wealth owns the Institute for Private Investors (IPI), the pre-eminent membership network for private investors in the United States founded in 1991, and the Campden Club, a global membership network for families and family office executives. Campden further enhanced its international reach with the establishment of Campden Family Connect PVT. Ltd., a joint venture with the Patni family in Mumbai in 2015.

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