Great Wealth

THE GLOBAL FAMILY OFFICE REPORT 2017

UBS

Campden Research
A division of Campden Wealth

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Global Family Office Report 2017

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Forewords

Dear reader,

We are delighted to present the ***Global Family Office Report 2017***. We established the report together with Campden Wealth four years ago, and the demand for it has been growing rapidly ever since. It is by far the most comprehensive study of its kind, supported by the largest sample and widest geographical reach. As a result, the report has become the go-to source of information for beneficial owners, family office professionals and service providers seeking insights and guidance.
The report contains a wide array of findings. But three topics that attracted our attention in particular this year were:

• Investment performance is back
After delivering a poor performance in 2015, family office portfolios have bounced back to an average return of seven percent in 2016. This improvement was mainly driven by equities, which now account for over 27 percent of the average portfolio, the highest proportion of any asset class. Private equity also continues to represent a considerable proportion of family office investments, while hedge funds and real estate have shown a halt this year. In the hunt for yield, family offices have been turning to more illiquid and higher risk investments.

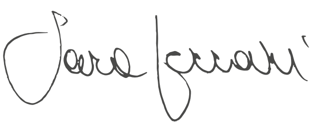
• Succession planning is top of the agenda
A key finding of last year's report was that 69 percent of family offices expected to undergo a generational transition within the next 15 years. Some progress has been made in 2016, but the report found out that only a third of family offices have written succession plans. Succession needs careful strategic planning and should remain a key priority for family offices in order to ensure continued wealth preservation and growth across generations.

• Social and environmental impact is becoming increasingly important
Family offices are increasingly engaged in philanthropy and social and environmental impact endeavours. And over 40 percent of family offices are expecting to increase their allocations towards impact and ESG investments. So this is a trend that is set to gain more and more momentum over time, in particular with the next generation of wealth owners taking over the reins.

As a joint venture between the Investment Bank and Wealth Management Divisions, the UBS Global Family Office Group is dedicated to offering our most sophisticated clients expertise across all the divisions of UBS. Moreover, we are committed to delivering thought provoking and agenda-setting intelligence to our clients. We hope you enjoy this report and welcome your feedback.

We would like to thank all the families, executives and advisers who have kindly engaged with the research team and shared their valuable insights.

Yours faithfully,



Sara Ferrari
Head UBS Global Family Office Group

Dear reader,

For the fourth edition of our ***Global Family Office Report***, we conducted 262 online surveys with family offices around the globe. In addition, 25 family office principals, executives and advisers have taken part in qualitative interviews to give their expert opinions and views. As ever, this report remains the leading source of robust data and information for family offices to benchmark themselves against and understand their peers' progress.

Each year we cover the investments, costs and philanthropy of family offices, but as they adapt and change we must too. This year, in order to remain relevant to the community we serve, we asked for family office executives' preferences on what new and exciting areas we should explore. As a result, the report now covers the issues pertaining to the next generation's engagement with the family office as well as the challenges of co-investing. We have also expanded our research on impact investing to further investigate this flourishing trend.

I was particularly struck by the improved investment performance achieved by family offices this year, which by and large has been driven by equities which are now taking a larger portion of the family office investment portfolio than ever before. Our detailed analysis of co-investing was also interesting, particularly as it revealed the key obstacles that prevent some from active involvement in this area, such as the difficulties associated with finding attractive deals and undertaking sufficient due diligence. Further to this, following from last year's finding that succession was the top priority for many family offices, it is encouraging to see that progress has been made with almost half of family offices now having a plan in place. However, there is still more work to be done.

My thanks goes out to all of the stakeholders involved in this project, the research team at Campden Wealth and our partner, UBS, for their continued counsel and ongoing commitment. Most crucially, my thanks also goes to the family offices from around the globe that trust and support our research. We hope that through their support, we can continue to provide a useful tool for benchmarking in order to assist with successful strategic decision-making for many years ahead.

Yours faithfully,

Dominic Samuelson
Chief Executive Officer, **Campden Wealth**

About Family Offices

What is a family office?

A family office is, in its simplest form, the private office for a family of significant wealth. The number of staff working in the office can vary from one or two employees, to 100 or more staff, depending on the type and number of services it provides.

The purpose of an office can range from handling key family assets and core holdings (tax and accountancy, property and estate management) to include more sophisticated wealth management structures, while often providing family members with educational, professional and lifestyle services.

Generally, family offices manage key areas of family assets, including real estate holdings and direct or indirect investments, tax consolidation and estate management. They can serve as the central hub for a family's legacy, governance and succession. They can furthermore support the education and development of family members, facilitate family governance, coordinate communication and resolve issues within the family enterprise.

A typical family office:

• Affords structure to the management of family wealth, establishing increased control and oversight of the family wealth strategy and costs of managing investments;

• Consolidates tax, accountancy and wealth management reporting execution under one roof;

• Provides a clearly-articulated, efficient governance framework for investment decision-making, as well as family legacy and succession functions (including philanthropic foundations and initiatives);

• Coordinates with service providers, achieving economies of scale (especially in the case of multi family offices) and preferential deal access and products;

• Ensures confidentiality and privacy for family members, liberating them from the burden of wealth.

Who would benefit from using a family office?

Families with private wealth in excess of $150 million are ideal candidates for establishing a single family office structure. While it is not uncommon for first generation entrepreneurs to establish a family office, these offices often support families with greater complexity in terms of households and generations. This is a key characteristic of family office structures and one that offices must account for when designing and executing investment strategies and family governance plans.

While each household will share some similar needs, from the perspective of the family office, each household merits special consideration. Such consideration cannot always be restricted to typical generational needs (i.e. retirees require income, while younger family members can accommodate more risk and longer horizons), because households themselves have differing liquidity requirements (for example, sibling benefactors may hold quite distinct professional ambitions).

Multiple wealthy families which might not necessarily be related to each other but nonetheless share some common values or goals may opt to consolidate and leverage resources by creating a multi family office, rather than a single family office to manage the family wealth. Such a structure provides the benefit of economies of scale and investment deal opportunities that formal collaboration and a consolidated management structure afford. Naturally, family complexity factors arise for the multi family office, only on another level of magnitude. Here things can get quite messy. As such, traditionally, for a multi family office to be successful and sustainable, families should share a common purpose, interest and risk appetite or, alternatively, comparable levels of wealth. Traditionally for multi family offices to be sustainable over the medium to long-term, they must manage cumulative assets of more than $3.5 billion.

For the sake of clarity, a number of terms with specific meaning in this report are defined below:

Private multi family office – Will all have had a founding family before widening out their offering to multiple families. These offices are owned by families and operated for their benefit.

Commercial multi family office – These will look after the interests of multiple families often with wealth of less than $150 million. Unlike private multi family offices, they are owned by commercial third parties, not families, and they have profit motivations.

Private equity – This includes both direct and indirect private equity allocations. The former refers to direct holdings where there is either an active or passive management role as well as direct early-stage venture capital. The latter refers to private equity funds, co-investments or deals syndicated by investment banks.

Real estate – This refers to direct real estate investments managed by the family office. It is noted that some family offices may not include their families' main residential properties within their portfolio if these are used by family members permanently or on a frequent basis.

Other assets (e.g. art) – This catch-all category is used to report a variety of valuable assets such as art, wine, watches or cars.

Executive Summary

GROWTH

Family offices grow in size and complexity

Family offices are continuing to grow, both in terms of structure and level of wealth managed. 48.0% reported that their AUM increased over the year, 26.9% said that the number of individuals / families they serve has risen, and 20.9% noted that the location, number of branches or size of their office has grown.

PERFORMANCE

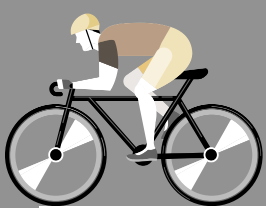
Investments spring back to life

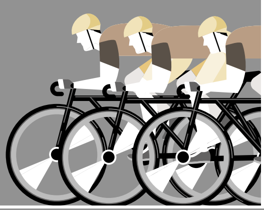
After a year of poor performance, family offices' average investment portfolio bounced back with a notable 6.7% increase from 0.3% in 2015 to 7.0% in 2016.

RETURNS

North America leads the pack

North American family offices performed the best globally, averaging a 7.7% annual investment return. This gain is largely due to their relatively lower allocations to real estate, which achieved weaker performance in 2016, in favour of equities and private equity.

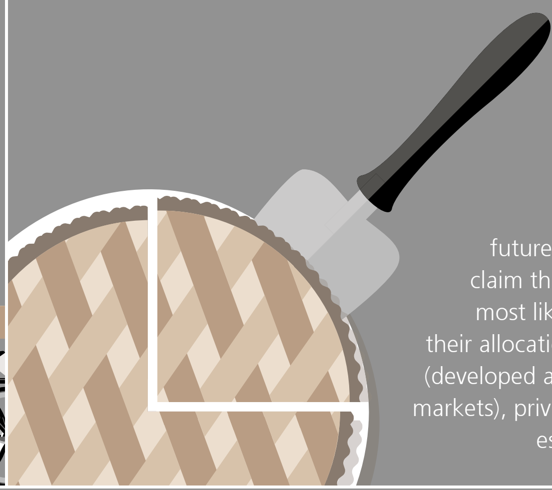




FUTURE ALLOCATIONS

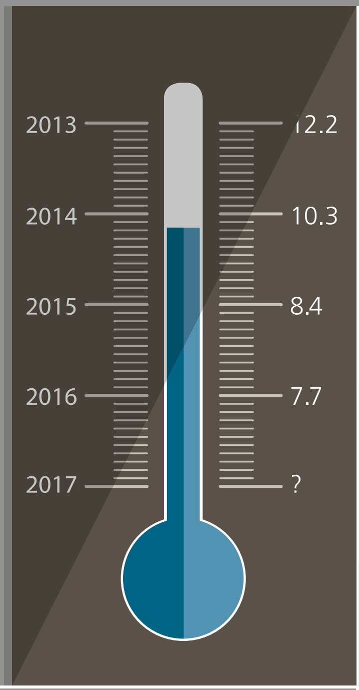
A bigger piece of the pie

Looking to the future, family offices claim that they are the most likely to increase their allocations to equities (developed and developing markets), private equity, real estate and ETFs.



HEDGE FUNDS

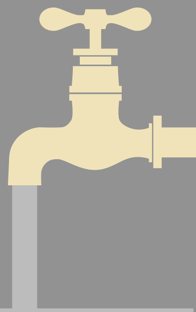
Allocations continue to cool off



Allocations to hedge funds continue to decline from 8.0% between 2015 and 2016 to 7.1% a year on, amid concern regarding their ability to generate satisfactory returns.

IMPACT INVESTING

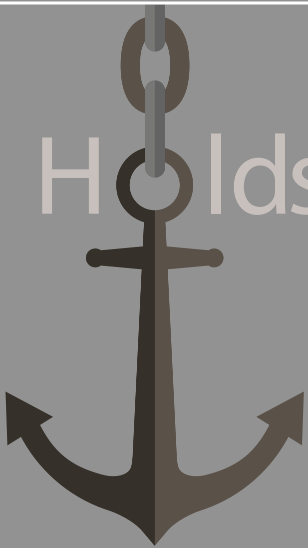
Allocations increasing



A notable 28.3% of family offices engaged in impact investing this year, with those in North America and Emerging Markets being the most active.

PRIVATE EQUITY

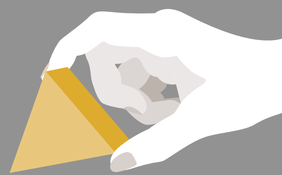
Holds strong



In keeping with the past four years of observation, private equity continues to represent a considerable proportion of all family office investment at 20.3%.

SOCIAL RESPONSIBILITY

Growing support for environmental and poverty causes



The number of family offices that gave philanthropically to environmental causes climbed 8.4% to 41.7% between 2016 and 2017, while the proportion that gave to poverty alleviation rose 7.0% to 41.7%.

SUCCESSION PLANNING

Last year, succession planning topped family offices' list of priorities. This year, roughly half (47.3%) of family offices have a succession plan in place, while a similar proportion do not (45.7%).

REAL ESTATE

Investments fluctuate but hold on

Real estate saw a slim 0.7% drop in allocations, following a somewhat fluctuating trend reported in previous years. Despite this, it continues to represent the third-largest asset class in the average family office portfolio.

Introduction

The concept for the ***Global Family Office*** (GFO) series of reports was born in 2013, out of an ambition at Campden Wealth to reveal the dynamics of ultra-wealthy family offices from around the globe. We partnered with UBS, which has strong associations with international family offices, to determine the key areas for exploration, from family offices' investment portfolios, to the structure of their businesses and their plans for succession. With these contours of the offices defined, we have been able to capture a year-on-year snapshot into family office life ever since. Now four years into the series, our understanding of family offices has evolved, and we can provide more sophisticated insight into their evolution, both on a regional and global level.

The messages that emerge from this year's report reveal a gradually shifting landscape in which some asset classes and areas of business are producing gains, while others are trying to fend off losses.

The key takeaway for the year is reflected in the word 'growth'. Amid a backdrop of geopolitical and economic uncertainty, the family office space is bolstering in activity, advancing in structure and growing in the level of wealth that is being managed.

Nearly half (48%) of the family offices we surveyed declared that their level of assets under management (AUM) increased over the year, while over a quarter (26.9%) noted that the number of individuals they serve has increased, and one-fifth (20.9%) claimed that the location, number of branches or size of their family office has grown. All of these factors point to increasing prosperity within the family office community.

Another positive finding this year is that family offices' investment performance has returned to health after a period of poor returns. In 2016, we reported that family offices' total average portfolio return stood at a mere 0.3%. The latest figures show that their level of return has grown considerably, to 7.0%, as some family offices pursued a somewhat riskier investment approach to help offset last year's lull in performance.

North American family offices, in particular, tended to fall into this category, as they invested more than any other region in growth-oriented strategies. And, the bet paid off as they were the best performing region, averaging a 7.7% annual return. European and Asia-Pacific family office returns also bounced back, but to a slightly lesser extent, with Europe achieving a 6.6% return and Asia-Pacific a 6.7% return, while Emerging Markets achieved 6.2%.

This rebound in the market has largely been driven by encouraging returns from equities (developed-markets) which emerges as one of the 'winners' this year, as it has come to rival private equity as the most popular asset class in which to invest. In 2017, equities (developed-markets) took a 20.4% share of all family office portfolio allocations (up 2.5% between 2016 and 2017 among multi-year participants), compared to private equity's 20.3% share. Reflecting its long-standing position as the most popular asset class within the average family office portfolio, equities has moved from strength-to-strength, taking a greater proportion of the average portfolio this year than our research has ever reported.

In a similar vein, private equity has retained its ground as one of the leading asset classes among family offices. Since the ***Global Family Office Report's*** inception in 2014, we have noted that private equity attracts a significant proportion of the average family office portfolio - and 2017 is no different, as it held on to a 20.3% share.

When looking across the different types of private equity assets, we can see that funds based investing had a strong year. It accounted for 37.9% of all private equity investments – a notable 7.7% increase from 2016 among multi-year participants.

Co-investing, however, did not fare as well. Despite strong sentiment from family office executives last year who claimed that they intended to do more co-investing deals, in practice their allocations fell 5.6%, to account for 9.4% of all private equity investments. Mirroring the sentiment, 'some things are easier said than done', family offices highlighted various execution challenges they face when attempting to co-invest, such as difficulties with identifying attractive deals, due diligence, and aligning the values and objectives of potential investment partners.

Hedge funds and real estate are two additional asset classes which suffered marginal slides over the year. After signs of revival in 2015, investment in hedge funds has declined for a second year in a row, amid family office executives' concerns regarding their ability to produce satisfactory returns. In 2017, hedge funds attracted 7.1% of the average family office portfolio, a drop of nearly 1% from last year (among multi-year participants).

Meanwhile, real estate saw a slim 0.7% drop among multi-year participants, following a somewhat fluctuating trend reported in previous years. Despite this, real estate continues to hold on to a significant share of the average portfolio (16.2%), representing the third-largest asset class.

Apart from the discussion of asset classes, family offices have also implemented governance changes. Last year we reported that 53.0% of family offices expected to experience a generational transition of wealth within the next six to 15 years, and that implementing a succession plan was their number one priority. This year we can report that nearly half (47.3%) of the family offices we surveyed now have some form of succession plan in place. Understanding succession planning as a long-term challenge, it will be useful to keep track of family offices' progress over the coming years particularly as 45.7% of offices still either do not have a plan in place or are still working on their strategies.

Another area that family offices have been focusing additional attention on is giving philanthropically to environmental protection and poverty alleviation. This is unsurprising, given the challenging economic and political climate many countries face. The number of family offices which support environmental causes jumped 8.4% to 41.7% between 2016 and 2017, while the proportion that gave to poverty alleviation rose 7.0% to 41.7%. With the average family office giving $5.7 million a year, this support will help the causes families care about most, as they try to use their influence to make a positive mark on society.

Family offices have also been contributing to social causes through impact investing, which has gained a notable amount of traction within the community this year. Over a quarter (28.3%) of the family offices we surveyed currently engage in impact investing, with those in North America and Emerging Markets being the most involved, followed by Europe and Asia-Pacific. It is interesting to note that this investment method is now being practised across nearly every asset class, with direct private investment, private equity, and venture capital being the most favoured. A few of the core sectors benefiting from this investment include education, energy and resource efficiency, and environmental conservation, with around half of impact investors putting funds into these areas.

Separate from social giving, one area we newly explored this year relates to the makeup of C-suite personnel. In doing so, we discovered that just under half of all chief executive office (CEO) positions are being held by family members, while the remainder of C-suite posts are largely held by outside professionals. This includes a quarter of chief information officer (CIO), and roughly a tenth of chief operations officer (COO) and chief financial officer (CFO) roles being held by family members.

We can also report that women are under-represented on the C-suite level, as merely one in 10 CEO and CIO roles are held by women, along with roughly a third of COO and CFO roles, suggesting that this is a potential area for growth among females.

Global Overview of 2017 Participants

The following provides a breakdown of the characteristics of the family offices that participated in the research this year, as a precursor for understanding the results in the forthcoming chapters.

In the 2017 ***Global Family Office Report*** we conducted online surveys with 262 family offices from across the world between February and May 2017. In turn, the feedback denoted in this report reflects family office executives' positions at that time. Companies' performance data was collected for the full 2016 calendar year. We additionally conducted qualitative interviews with 25 family office principals, executives and advisers to better understand the shifts occurring within the family office community.

"Multi-year participants" (MYPs) explained

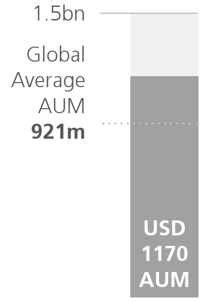
We display our findings within this report in two ways: For a larger picture of what is happening in the market at the moment, we include statistics based on our entire sample of 262 family office participants. However, in order to provide an accurate reflection of year-on-year shifts, we analyse data from the smaller number of 101 family offices which completed the ***Global Family Office*** survey in both 2016 and 2017. We refer to this cohort as 'multi-year participants' (MYPs). This difference may account for the slight variations in the results between these samples.

Region of the family office

• Family offices based in Europe account for 43.3% of the total number of completed surveys; 31.0% came from North America, 16.3% from Asia-Pacific and 9.4% from Emerging Markets.

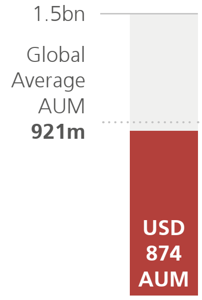
North America 31.0%

Alabama	Missouri
California	Nevada
Colorado	New Jersey
Connecticut	New York
Florida	Oregon
Georgia	Pennsylvania
Illinois	Quebec
Indiana	Texas
Maryland	Virginia
Massachusetts	Washington DC
Mississippi	Wisconsin



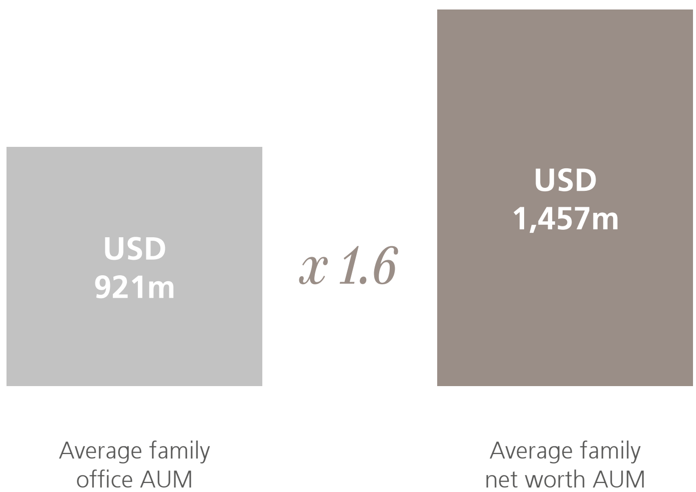
Emerging Markets 9.4%

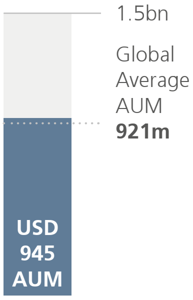
Bahrain	Nigeria
Brazil	Oman
Chile	Puerto Rico
Ecuador	Saudi Arabia
Israel	South Africa
Lebanon	UAE
Mexico	Venezuela



Global family office AUM / Total family net worth

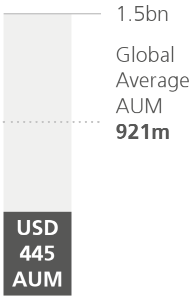
• The average family office surveyed has assets under management (AUM) of $921 million, while the average founding family has a net worth of $1.457 billion.





43.3% **Europe**

Belgium
Czech Republic
Denmark
Finland
France
Germany
Gibraltar
Greece
Ireland
Italy
Lithuania
Luxembourg
Malta
Monaco
Netherlands
Portugal
Russia
Spain
Sweden
Switzerland
UK



16.3% **Asia-Pacific**

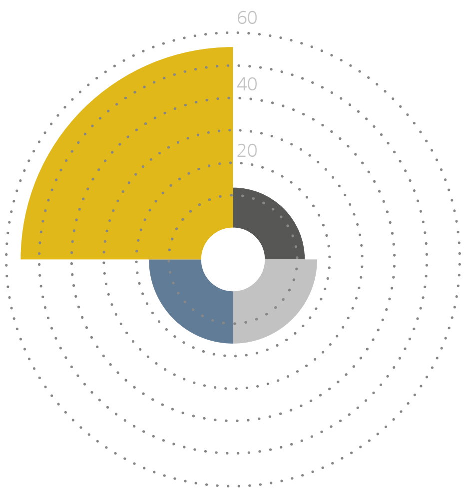
Australia
Hong Kong
India
Japan
Singapore
Thailand

Type of family office

- Single family offices account for 67.9% of this year's sample, with 12.3% embedded in the family business and 55.6% independent of the family business. The remaining 32.2% represent multi family offices, with 16.1% from each commercial and private multi family operations.

55.6%
Single Family Office (Independent from Family Business)

12.3%
Single Family Office (Embedded within Family Business)

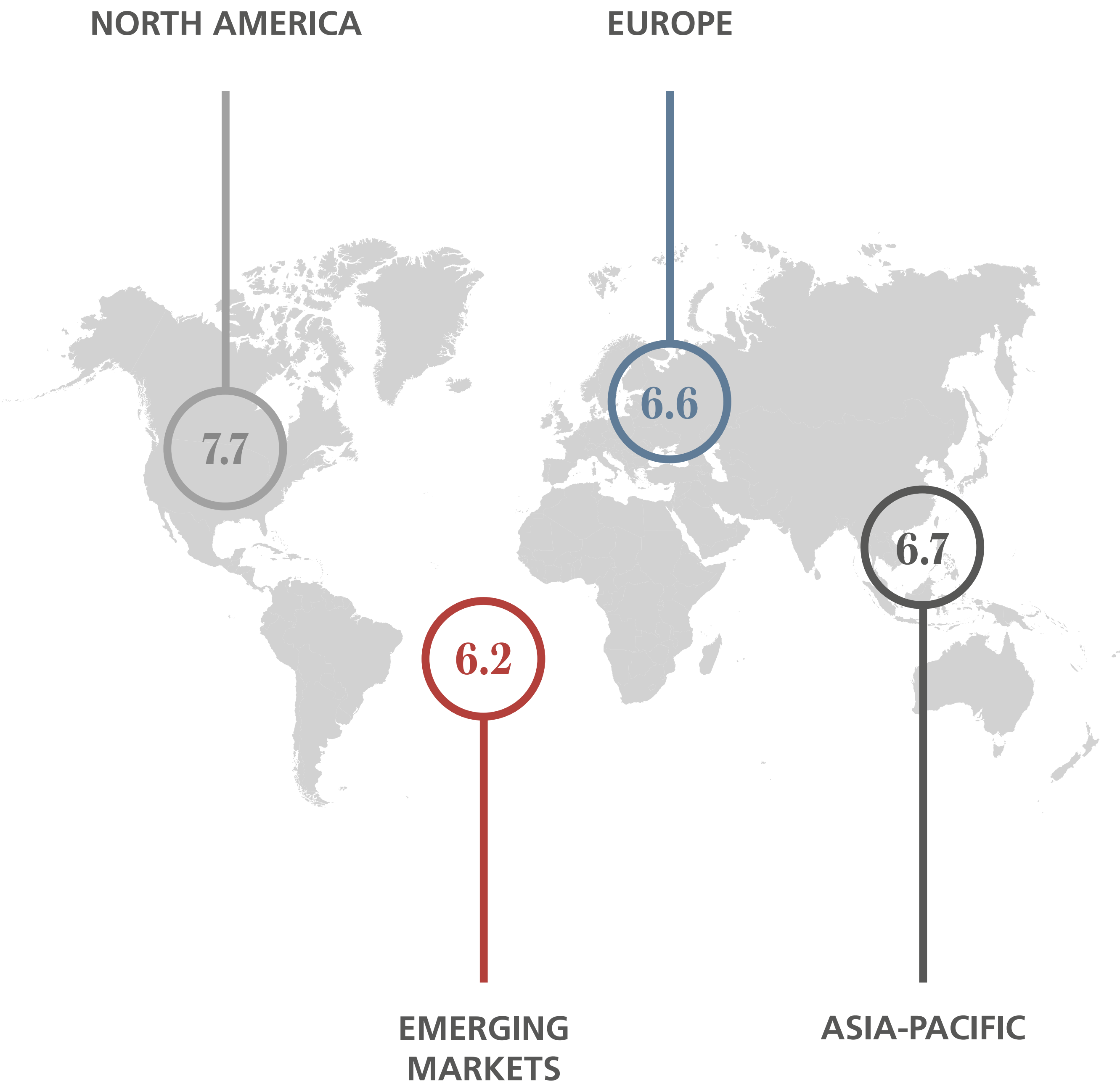


16.1%
Commercial Multi Family Office

16.1%
Private Multi Family Office (Have a founding family & look after direct interests of families)

2016 Estimated benchmark performance of global composite portfolio, by region

in % return

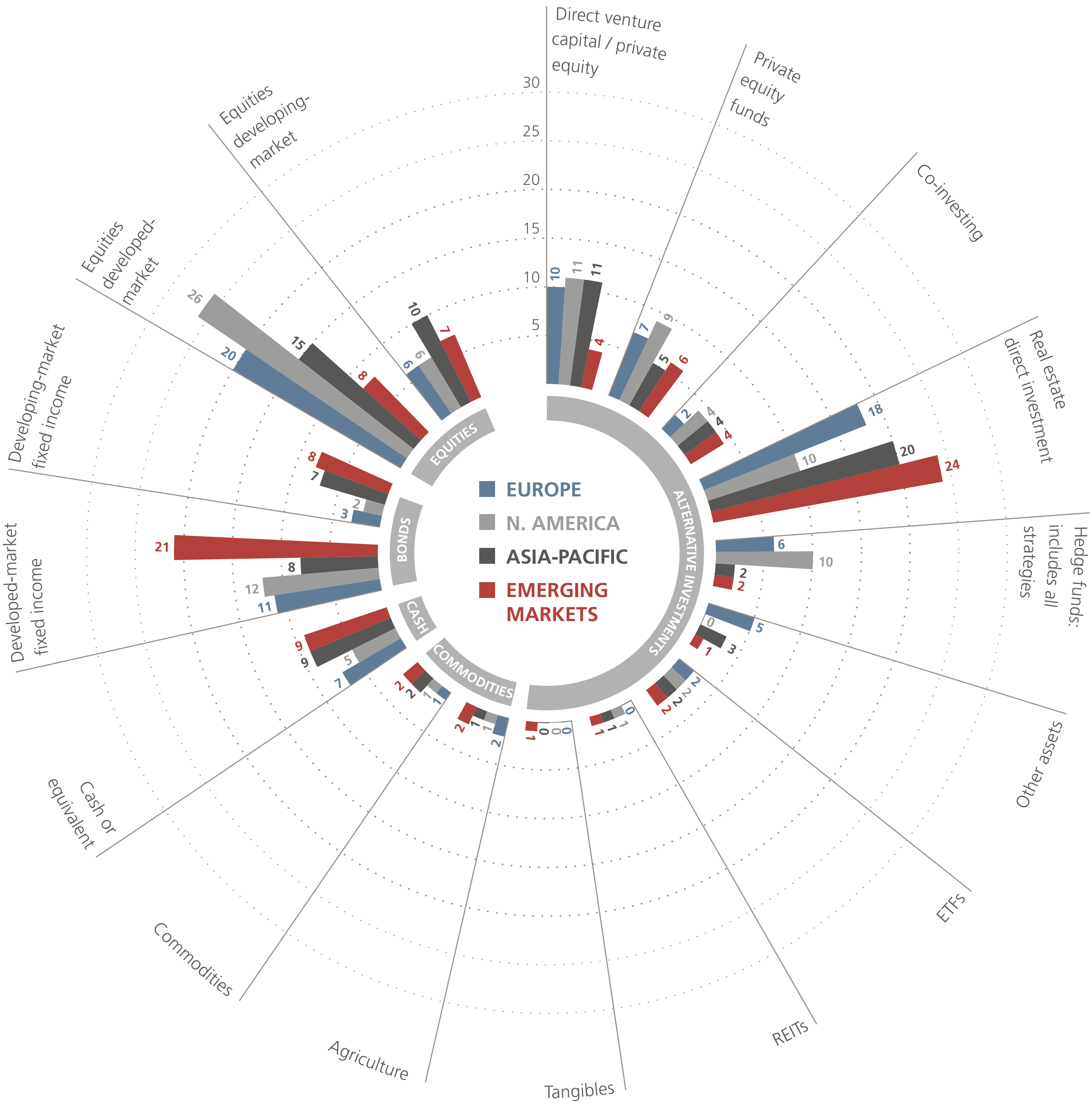


Source: The UBS/Campden Wealth Global Family Office Report 2017

Note: Emerging Markets include: South America, Middle East and Africa

Average family office portfolio, by region

in % of composite portfolio

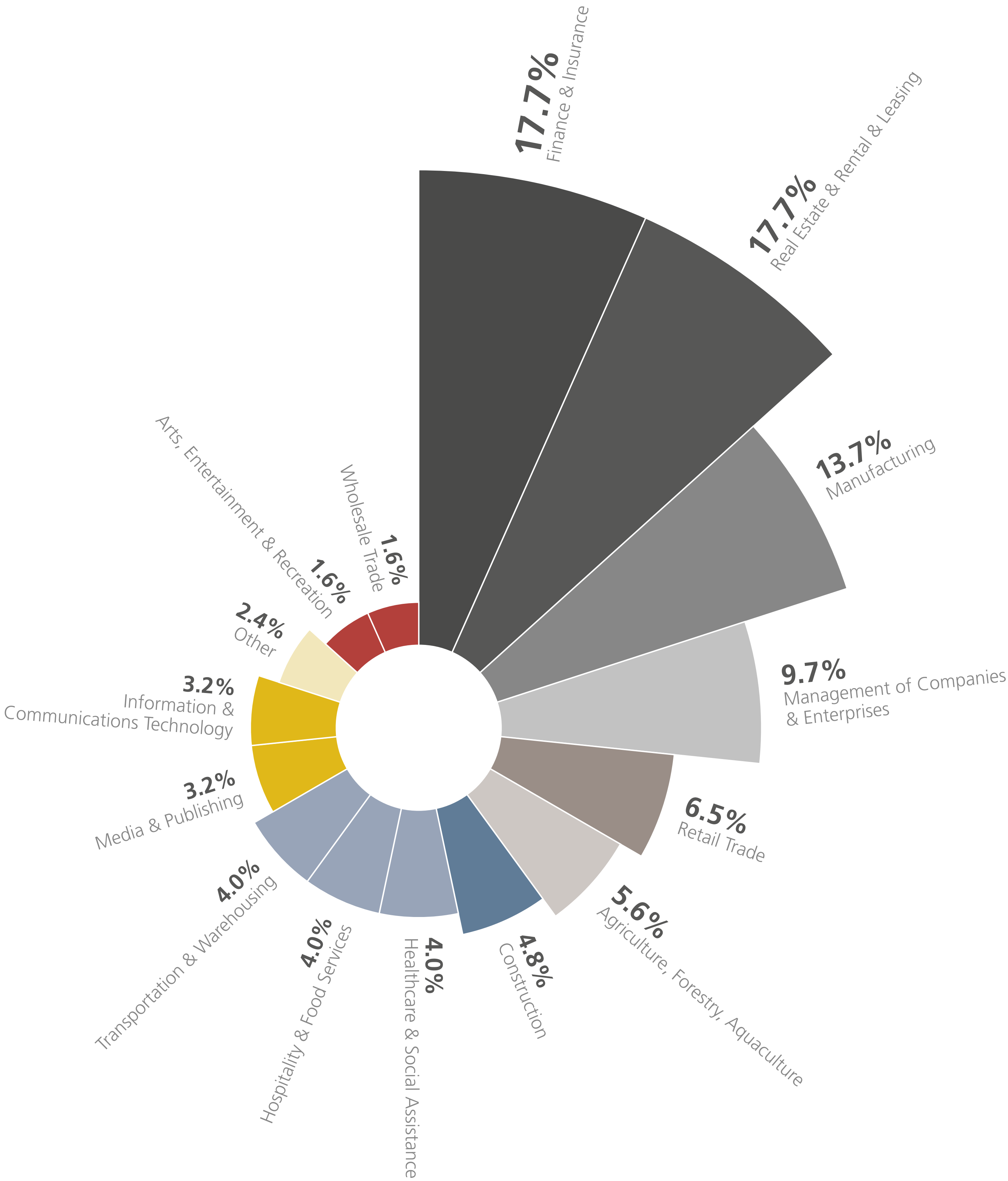


Source: The UBS/Campden Wealth Global Family Office Report 2017

Note: Due to rounding, totals may not add up to 100%

Key industries of the operating business

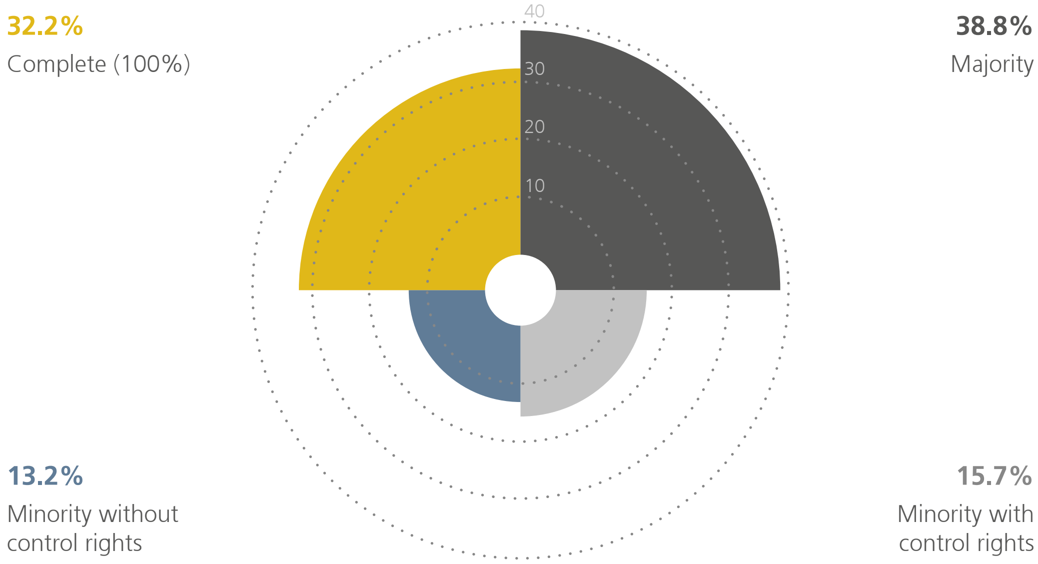
• Roughly half of the operating businesses reside in either the finance and insurance (17.7%), real estate and rental / leasing (17.7%), or manufacturing (13.7%) industries. The remainder are situated more thinly across a variety of sectors.



Note: Due to rounding, totals may not add up to 100%

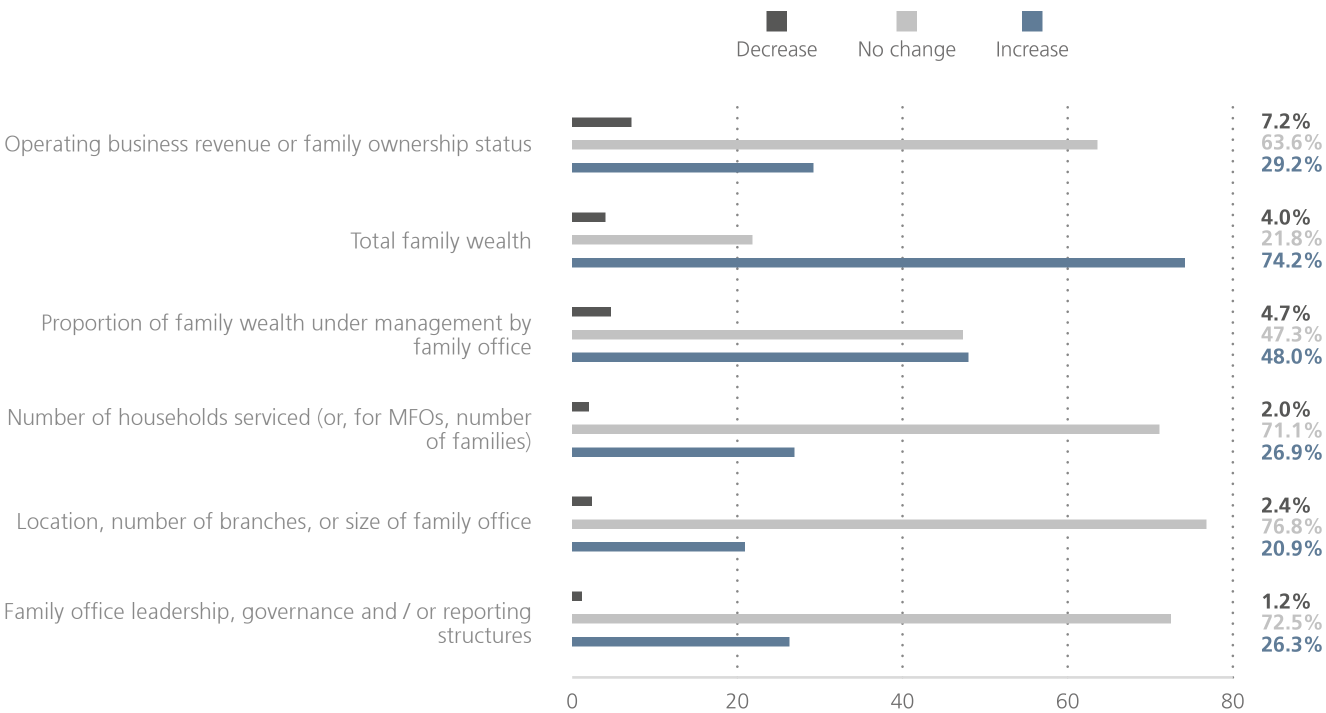
Family's stake in the operating business

• The majority of family offices serve families that have either a complete (32.2%) or majority (38.8%) stake in the operating business.



Changes in family offices since 2016 (% of family offices)

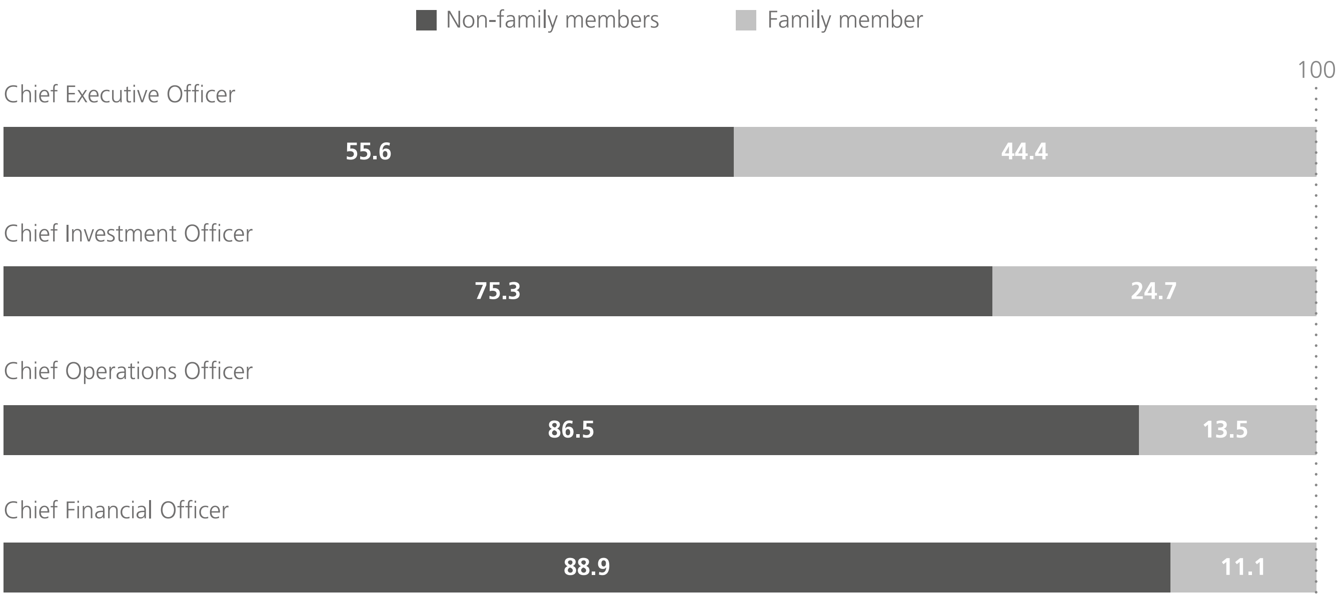
• Three-quarters (74.2%) of participants stated that the wealth of the families they aid has increased since last year. Similarly, nearly half (48.0%) reported that the level of wealth the family offices are managing has increased.



Note: Due to rounding, totals may not add up to 100% / Source: The UBS/Campden Wealth Global Family Office Report 2017

C-suite executives, by family members and non-family members

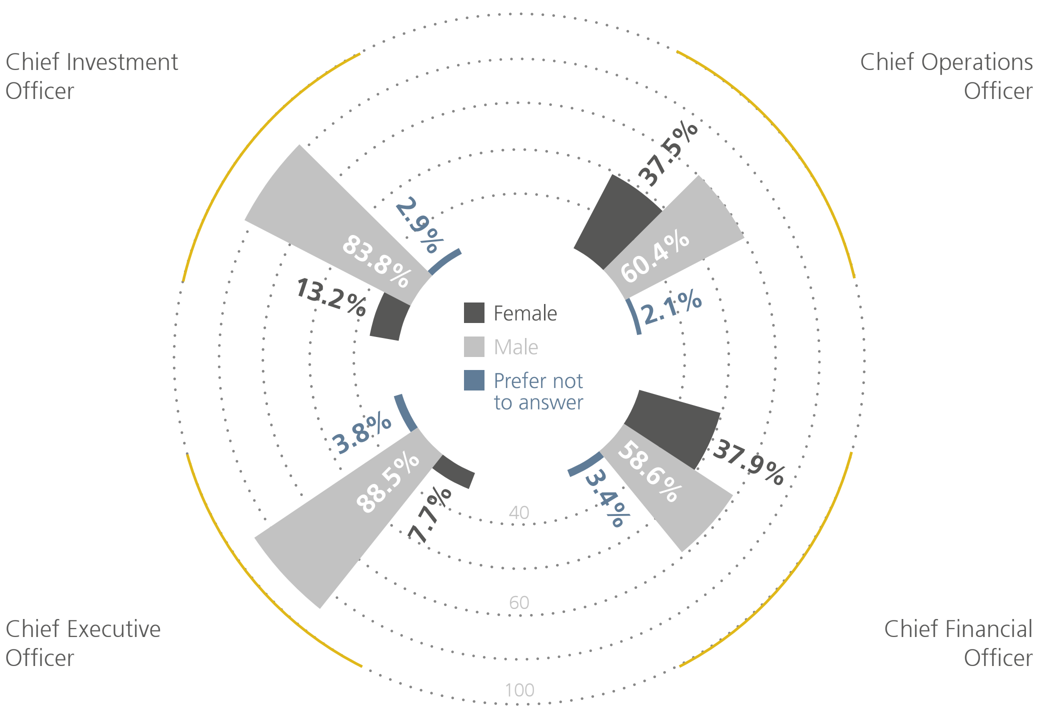
• Just under half (44.4%) of CEO positions are held by family members, along with one-quarter (24.7%) of CIO, and roughly one-tenth of COO (13.5%) and CFO (11.1%) roles.



Source: The UBS/Campden Wealth Global Family Office Report 2017

C-suite executives, by gender

• Merely 7.7% of the family offices we surveyed reported to have female CEOs; leaving over nine out of ten of the remaining top spots to men. Women are somewhat more likely to occupy other C-suite roles, with 37.9% reportedly serving as CFOs, 37.5% as COOs and 13.2% as CIOs.



Note: Due to rounding, totals may not add up to 100%

Investments

1. Allocations

2. Focus on Private Equity and Co-Investing, Real Estate and Hedge Funds

- *Private Equity and Co-Investing*
- *Real Estate*
- *Hedge Funds*

3. Performance

1.
Allocations

1. In keeping with a trend observed over the past four years, equities represented a substantial share of investments made by family offices. After a year of improved investment performance, allocations to this asset class rose even further to account for over a quarter (27.1%) of the average family office portfolio. Investment in equities in developed-markets drove this shift, rising 2.5% among multi-year participants in the year to 2017. Meanwhile, levels of investment into developing-markets equities remained relatively unchanged, at 7.8% (down -0.1%, among multi-year participants).

2. As reported for the fourth year in a row, private equity (including venture capital / private equity, co-investing and private equity funds) continues to maintain a strong position in the family office portfolio, accounting for a 20.3% share.

3. While allocations to hedge funds represented 6.2% of the average family office portfolio, a marginal drop of 1.0% was reported among multi-year participants. Some movement away from this asset class has now been observed for the second consecutive year.

4. Similarly, real estate saw a slim 0.7% drop among multi-year participants, following a somewhat fluctuating trend reported in previous years. However, it still continues to account for a significant 16.2% share of the average portfolio, which makes it the third-largest asset class.

Asset Allocation 2017

Data analysis presented in this section of the report was based on the total sample of 262 family offices which took part in this year’s research. It summarises their portfolio allocations at the time of the data collection, which took place between February and May 2017.

EQUITIES ACCOUNT FOR OVER A QUARTER OF THE AVERAGE FAMILY OFFICE PORTFOLIO

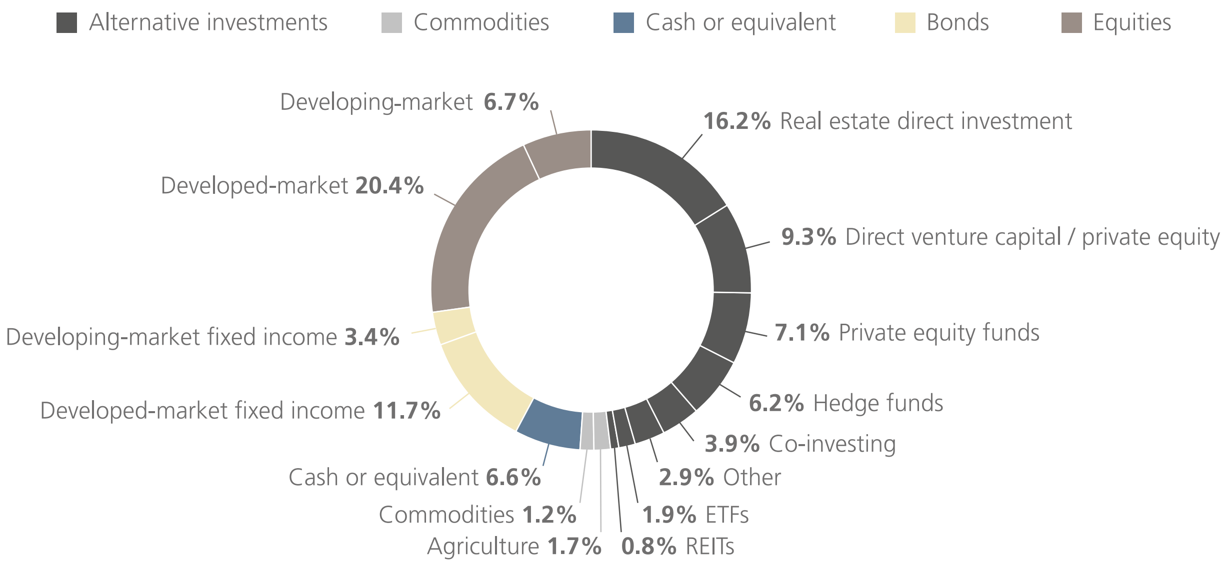
In 2017, developed and developing-market equities accounted for 27.1% of the average family office portfolio, the highest proportion among all asset classes. While developed-market equities alone represented a substantial 20.4% of all investments, allocations to developing-market equities were rather modest at 6.7% (figure 1.1).

Improved investment performance, combined with a lack of portfolio rebalancing, allowed equities (developed-markets) to establish its relatively strong position within the average family office portfolio this year. As discussed in more detail in the Performance section of this report, performance of equities (developed-markets) saw a remarkable recovery from a loss of 2.7% in 2015 to an average return of 8.2% in 2016 (figure 3.1).

Looking cross-regionally, allocations to equities (developed-markets) were particularly prominent in North America (26.6%) and Europe (20.3%), compared with Asia-Pacific (15.1%) and Emerging Markets (8.4%) (figure 2.1a).

When it comes to developing-market equities, family offices based in Asia-Pacific allocated a relatively higher average proportion of their portfolios to this asset class, 9.9%, compared with 6.7% for Emerging Markets, 6.1% for Europe and 5.9% for North America (figure 1.1a).

Fig 1.1. Average family office portfolio
in % of global composite portfolio



Source: The UBS/Campden Wealth Global Family Office Report 2017 / Note: Due to rounding, totals may not add up to 100%

Fig 1.1a Investment portfolio
in % of global composite portfolio

Asset class	Total	Region				Strategy			Assets under management (USD)		
		Europe	N.America	APAC	EM	Growth	Balanced	Preservation	<250m	251m-1bn	>1bn
Bonds	**15**	**14**	**14**	**15**	**29**	**9**	**17**	**28**	**15**	**17**	**15**
Developed-market fixed income	12	11	12	8	21	6	13	23	11	14	12
Developing-market fixed income	3	3	2	7	8	3	4	5	4	3	3
Equities	**27**	**26**	**32**	**25**	**15**	**28**	**29**	**28**	**22**	**32**	**29**
Developed-market	20	20	26	15	8	19	23	22	16	25	21
Developing-market	7	6	6	10	7	9	6	6	6	7	8
Alternative investments	**48**	**50**	**47**	**48**	**45**	**55**	**45**	**37**	**54**	**43**	**48**
Direct venture capital / private equity	9	10	11	11	4	12	7	6	10	10	8
Private equity funds	7	7	9	5	6	11	6	3	6	7	10
Co-investing	4	2	4	4	4	5	4	1	5	3	2
Real estate direct investment	16	18	10	20	24	12	17	13	22	13	12
Hedge funds	6	6	10	2	2	9	5	6	6	5	8
Other assets (e.g. art)	3	5	0	3	1	3	3	4	2	1	4
ETFs	2	2	2	2	2	2	2	2	1	3	2
REITs	1	0	1	1	1	1	1	1	1	1	1
Tangibles	0	0	0	0	1	0	0	1	1	0	1
Commodities	**3**	**3**	**2**	**3**	**4**	**2**	**3**	**3**	**3**	**2**	**2**
Agriculture	2	2	1	1	2	1	2	2	2	1	1
Commodities	1	1	1	2	2	1	1	1	1	1	1
Cash or equivalent	**7**	**7**	**5**	**9**	**9**	**7**	**7**	**8**	**7**	**6**	**7**

Source: The UBS/Campden Wealth Global Family Office Report 2017

PRIVATE EQUITY MAINTAINS ITS STRONG POSITION…

The historical strength of private equity and its potential for higher returns continues to attract family offices, with combined allocations across venture capital / private equity, co-investing, and private equity funds, accounting for over a fifth (20.3%) of the average portfolio. This allows private equity to match equities (developed-markets) as the top two asset classes in 2017 (figure 1.1). Looking cross-regionally, family offices in North America (23.4%) and Asia-Pacific (20.9%) on average allocated more to private equity, compared with their peers in Europe (18.8%) and Emerging Markets (13.6%).

…AND SO DOES REAL ESTATE

The long-term strength of the real estate market similarly means that this asset class continues to maintain its robust position within the average family office portfolio. Accounting for 16.2% of all family office investments, real estate was the third-largest asset class in 2017 (figure 1.1). There are significant differences in levels of investment to this asset class between regions, as allocations of family offices in Emerging Markets (23.7%) and Asia-Pacific (20.3%) significantly exceed those of Europe (17.7%) and nearly double those of North America (10.2%).

WHILE ALLOCATIONS TO HEDGE FUNDS REMAIN MODEST

In line with previous years, investments to hedge funds accounted for a relatively lower proportion of the average family office portfolio, 6.2%. Allocations to this asset class were particularly low in Asia-Pacific (1.9%) and Emerging Markets (2.2%), compared with Europe (6.2%) and North America (10.3%).

Year-on-Year Change in Asset Allocations

In order to obtain the most accurate measure of year-on-year changes, we examined the responses from multi-year participants - those family office executives who completed our ***Global Family Office*** survey in both 2016 and 2017 (see Introduction section, pg 13). Whilst the results from the multi-year participants cohort are important for understanding annual changes, the previous two charts (figures 1.1 and 1.1a) give the most robust understanding of current results.

EQUITIES GROW YEAR-ON-YEAR…

Reflecting a strong interest in equities, a 1.6% increase in allocations to both developed and developing-markets was reported among multi-year participants. However, this change was driven by a 2.5% growth in developed-markets equities, which helped to offset a 1.0% decline experienced within developing-markets (figure 1.2).

> *"Overall, private equity has done pretty well again, but I'm afraid that these returns may be starting to go down. There is just too much money chasing fewer and fewer deals."*
>
> Single family office executive, North America

…WHILE PRIVATE EQUITY ALLOCATIONS REMAIN STABLE

Meanwhile, allocations to private equity remained stable over the year, dipping a minor 0.2% to 16.7% across the average family office portfolio (figure 1.2). While the family office executives we interviewed noted that this likely reflects a growing concern over intensifying competition for attractive deals, the asset class has nevertheless maintained its strong position in comparison to its peers.

REAL ESTATE SLIPS YEAR-ON-YEAR

Still accounting for a substantial 16.2% of the average family office portfolio, allocations to real estate slipped marginally from last year among multi-year participants (figure 1.1). While in 2016 this cohort dedicated 16.5% of their portfolio to this asset class, this declined to 15.8% this year (figure 1.2). While this is most likely the result of the enhanced performance of other asset classes and a lack of portfolio rebalancing, some observe that the real estate market may be beginning to peak in developed parts of the world, such as North America and parts of Europe.[1] Correspondingly, the ***Global Family Office Report*** 2017 data points to relatively lower allocations to this asset class among family offices in North America (10.2%) in particular, compared with the global average.

ALLOCATIONS TO HEDGE FUNDS CONTINUE TO DECLINE

In 2017, hedge funds accounted for 6.2% of the average family office portfolio (figure 1.1). In line with last year's findings, allocations to this asset class declined once again among multi-year participants, from 8.0% in 2016 to 7.1% this year (figure 1.2). This is despite improved performance last year (+0.8%), compared with negative results in 2015 (-2.6%) (see Performance section).

[1] Newmark & Knight Frank (2017) Active Capital – The Report 2017

Fig 1.2. Changes in allocations, 2016 - 2017
% of global composite portfolio, multi-year participants

Asset class	2016	2017	Change
Bonds	**13.7**	**14.6**	▲ **0.8**
Fixed income, developed	10.6	11.5	▲ 0.8
Fixed income, developing	3.1	3.1	▲ 0.0
Equities	**27.7**	**29.2**	▶ **1.6**
Equities, developed	18.9	21.4	▲ 2.6
Equities, developing	8.8	7.8	▼ -1.0
Alternative investments	**48**	**45**	▼ **-3.7**
Direct venture capital/private equity	7.5	6.9	▼ -0.6
Private equity funds	7.3	7.7	▲ 0.3
Co-investing	2.1	2.1	▲ 0.0
Real estate direct investment	16.5	15.8	▼ -0.7
Hedge funds	8.0	7.1	▼ -1.0
ETFs	2.0	1.9	▼ -0.1
REITs	1.0	0.6	▼ -0.4
Tangibles	3.6	2.9	▼ -0.6
Commodities	**2.5**	**3.2**	▲ **0.8**
Agriculture	1.4	2.1	▲ 0.7
Commodities	1.1	1.1	▲ 0.0
Cash or equivalent	**8.1**	**7.9**	▼ **-0.2**

Source: The UBS/Campden Wealth Global Family Office Report 2016; The UBS/Campden Wealth Global Family Office Report 2017

Future Intentions for Asset Allocations

EQUITIES AND PRIVATE EQUITY ARE LIKELY TO MAINTAIN THEIR STRONG POSITIONS GOING FORWARD

Looking to the future, equities is likely to hold its strong position within the average family office portfolio. Most of the participating family offices are planning to maintain their current allocations to both equities (developed-markets) (60.6%) and equities (developing-markets) (48.6%).

While one-fifth (21.3%) claim that they will allocate more to equities (developed-markets) more than four in ten (43.8%) are planning to increase their investments into equities (developing-markets) moving forward (figure 1.3).

Private equity allocations are likely to grow further as 40.2% plan to invest more in private equity funds and 49.3% intend to increase their co-investing activity (figure 1.3).

When it comes to real estate, family offices are rather optimistic about the future of this asset class, despite a somewhat weaker performance in 2016. The majority of those who took part in this year's research are planning to either maintain (45.0%) or increase (40.0%) their investment going forward (figure 1.3).

Currently, given the relatively negative sentiment, one-third (30.2%) of family offices state that they are likely to decrease their allocations to hedge funds (figure 1.3).

Fig 1.3. Investment portfolio, future intentions
% of family offices

	Decrease	Leave as is	Increase
Bonds			
Developed-market fixed income	30.0	60.0	10.0
Developing-market fixed income	18.2	61.4	20.5
Equities			
Developed-market	18.1	60.6	21.3
Developing-market	7.6	48.6	43.8
Alternative investments			
Direct venture capital / private equity	6.9	57.4	35.6
Private equity funds	11.8	48.0	40.2
Co-investing	6.7	44.0	49.3
Real estate direct investment	15.0	45.0	40.0
Hedge funds: includes all strategies	30.2	50.0	19.8
ETFs	7.1	68.6	24.3
REITs	4.9	78.0	17.1
Other tangibles	9.7	87.1	3.2
Commodities			
Agriculture	9.8	70.6	19.6
Commodities	11.6	69.8	18.6
Cash or equivalent	**35.9**	**50.5**	**13.6**
Other	0.0	82.6	17.4

Source: The UBS/Campden Wealth Global Family Office Report 2017

Note: Due to rounding, totals may not add up to 100%

Investment Strategy

FAMILY OFFICES PURSUE BALANCED INVESTMENT STRATEGIES

Overall, in 2017 family offices are demonstrating a rather measured approach to managing their investment portfolios, as nearly half (46.6%) of the participating executives stated that they pursue strategies concentrated on balancing preservation and growth-focused objectives (figure 1.4). A significant 6.7% shift towards balanced strategies was observed among multi-year participants, at the expense of growth (-4.0%) and preservation (-2.7%). (figure 1.4).

Cross-regional analysis shows important variations between portfolio management strategies pursued by family offices across the globe. While those based in North America and Asia-Pacific tend to be committed to growth, executives in Europe and Emerging Markets are likely to opt for more balanced approaches (figure 1.5).

The ***PwC and UBS Billionaires Report 2016*** describes North America and Asia-Pacific as regions characterised by younger entrepreneurs or in other words, the so-called "new wealth", which is more likely to be oriented towards growth than preservation.[2] In turn, the more balanced approach observed in Emerging Markets and Europe is likely to result from the uncertain political and economic situations in those regions, in the aftermath of such crucial events like the Brexit vote in the UK.

Fig 1.4. Global investment strategy, by year
% of family offices, multi-year participants

	Total sample 2017	MYP 2016	MYP 2017	Change
Growth	32.4	36.6	32.6	▼ -4.0
Balanced approach	46.6	43.9	50.6	▲ 6.7
Preservation	21.1	19.5	16.9	▼ -2.7

Source: The UBS/Campden Wealth Global Family Office Report 2016; The UBS/Campden Wealth Global Family Office Report 2017

Note: Due to rounding, totals may not add up to 100%

Fig 1.5. Global investment strategies, by region
% of family offices

2017	Preservation	Balanced	Growth
Europe	23.3	53.5	23.3
North America	14.0	36.8	49.1
Asia-Pacific	25.0	34.4	40.6
Emerging Markets	31.3	50.0	18.8

Source: The UBS/Campden Wealth Global Family Office Report 2017

Note: Due to rounding, totals may not add up to 100%

2 PwC and UBS (2016) Billionaires insight. Are billionaires feeling the pressure?

Investing with Impact

Interview with a single family office principal in North America

Family offices involved with impact investing often speak about difficulties that relate to seeking out deals that are both profitable and have a positive impact. A North American single family office executive's solution is to actively seek out these deals and consider them in line with their traditional investments.

HOW DID YOU START IMPACT INVESTING?
Our family, stretching back to my great-grandparents, were very much involved with a number of philanthropic projects in America and that is how we got started with a family foundation.

It really was not until we got more involved in a number of different impact investment groups here in the United States that we became active in impact investing. My wife is a very successful impact investor herself, and she started a group which pulled together the dollars of the 20 largest families in our area. So it was very much through association with those that are already active in this area.

WHAT STRATEGY DO YOU TAKE WITH YOUR IMPACT INVESTMENTS?
We blend our impact investing and our profit investing into one bucket. We do not really differentiate between the two.

We specifically invest in companies that have between $1 million and $5 million in earnings. To do this we identify high potential MBA students and give them money for two years to go out and scan the landscape for the most profitable impact investments they can find.

They come back and present to us, and we evaluate them as an investment. Then, if we can proceed, we help the entrepreneur and the MBA student by buying the company using bank debt. Subsequently, we help them grow the business with acquisitions and bolt-ons. In total, we have done 80 of those investments; 25% of which have been impact related.

HOW DO YOU SPOT THE OPPORTUNITIES FOR IMPACT INVESTING AND INVESTING IN GENERAL?
We have four people on our investment staff examining five to six business plans a week. So there is a system to actively seek out deals. I think this could be where some families go wrong, as they do it haphazardly and wait for deals to come to them. That means that the investment opportunities they see tend to be the worst deals out there.

In order to actively seek out these deals, we use a private equity network, and we put our profile out there about the criteria we are interested in. So we are casting out into the marketplace, looking for opportunities across the profit and impact space. Over time we expect these areas to blur more and more.

WHAT TYPE OF PROJECTS DO YOU INVEST IN?
We invested in the start-up of a company that does septic removal and remediation. We invested for about eight years and we just made 10 times our return on investment. That was clearly classified as an impact investment, as the business fulfilled both profit aims and has a positive impact in helping to manage waste.

2. Focus on Private Equity and Co-Investing, Real Estate and Hedge Funds

1. In line with the trend observed in previous years, private equity represented a considerable share (20.3%) of all investments managed by family offices in 2017. Looking specifically at the average private equity portfolio, private equity funds accounted for the highest proportion of all assets (37.9%), with a 7.7% increase seen among multi-year participants. Despite continuous interest in co-investing, the actual activity declined from 15.0% in 2016 to 9.4% in 2017 among multi-year participants, as family offices face challenges that relate to identifying attractive deals (57.4%), due diligence (46.8%), and aligning values and objectives with potential investment partners (41.5%).

2. In 2017, 16.2% of the average family office portfolio was allocated to real estate investments (across all survey participants), despite a 0.7% slip seen among multi-year participants. Similar to last year, family offices demonstrate a preference for investments into commercial property (56.6%) rather than residential (43.4%). The home bias also remains intact as 49.6% of all investments were concentrated locally in 2017, compared with 25.7% regionally and 24.7% internationally.

3. In line with findings reported last year, allocations to hedge funds continue to decline, dropping from 8.0% in 2016 to 7.1% in 2017 among multi-year participants, amid concerns over their ability to generate satisfactory returns.

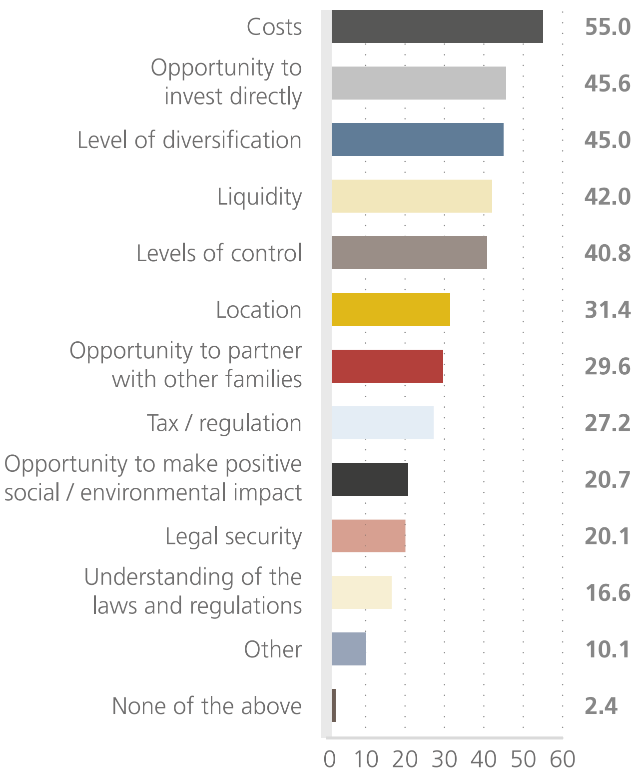
Private Equity and Co-Investing

PRIVATE EQUITY CONTINUES TO ATTRACT INVESTMENTS…

Private equity continues to attract substantial investment from family offices. In line with this trend, this year's aggregate allocations to private equity represented a considerable 20.3% share of the average family office portfolio, as discussed in the Allocations section of this report (figure 1.1).

While consistently strong performance continues to attract substantial allocations to this asset class (see Performance section), family offices are also likely to take into account possible costs (55.0%), opportunities to invest directly (45.6%), and levels of diversification (45.0%) when making decisions about new private equity investments (figure 2.1).

Fig 2.1. Factors influencing family offices' decision-making while investing in private equity, beyond returns
% of family offices, multiple options permitted

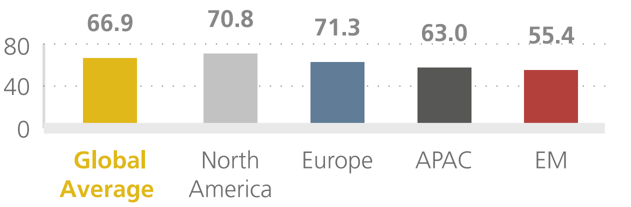


Source: The UBS/Campden Wealth Global Family Office Report 2017

...BUT THE RETURNS DO NOT ALWAYS MEET EXPECTATIONS

According to this year's participants, an average of 66.9% of their private equity holdings performed in line with their expectations (figure 2.2). Those results vary significantly across regions, however, as assets managed by family offices in Europe (71.3%) and North America (70.8%) generated more satisfactory returns relative to their expectations than those in Asia-Pacific (63.0%) and Emerging Markets (55.4%) (figure 2.2).

Fig 2.2. Private equity holdings performing as expected in 2016
in %



Source: The UBS/Campden Wealth Global Family Office Report 2017

Note: Results for Emerging Markets and Asia-Pacific are likely to be affected by small samples

FUNDS ATTRACT THE LARGEST SHARE OF THE PRIVATE EQUITY PORTFOLIO

Looking at family offices' average private equity portfolio in isolation from other asset classes, it becomes evident that investing via funds accounts for the largest proportion of all private equity investments (37.9%), followed by active management (22.3%) and passive shareholder roles (18.9%) (figure 2.3). Cross-regional analysis indicates that funds are more favoured by family offices based in Europe (44.8%) and North America (43.0%) than Asia-Pacific (22.9%) and Emerging Markets (16.5%). This disparity is likely to be a consequence of the differences in advancement of capital markets between the regions (figure 2.3a).

Meanwhile, allocations to direct early-stage venture capital, co-investing and deals syndicated by private equity firms remained modest in 2017, respectively accounting for 9.1%, 9.0% and 2.7% of the average private equity portfolio (figure 2.3).

Reflecting opportunities in developing-markets, there is an indication that family offices in Emerging Markets (69.2%) and Asia-Pacific (63.9%) are more likely to pursue direct investments, compared with their peers in North America (48.1%) and Europe (44.3%) (figure 2.3a).

Fig 2.3. Private equity allocation
% of portfolio share, private equity holdings only

	Share
Private equity funds	37.9
Active management role	22.3
Passive shareholder role	18.9
Early-stage venture capital	9.1
Co-investments, club and office-to-office deals	9.0
Deals syndicated by investment bank	2.7

Source: The UBS/Campden Wealth Global Family Office Report 2017

Fig 2.3a. Private equity allocation, by region
% of portfolio share, private equity holdings only

	Europe	North America	APAC	EM
Private equity funds	44.8	43.0	22.9	16.5
Active management role	20.6	17.3	26.4	42.9
Passive shareholder role	14.9	22.7	26.2	16.1
Early-stage venture capital	8.8	8.1	11.3	10.3
Co-investments	8.6	8.4	4.7	12.9
Deals syndicated by investment bank	2.3	0.6	8.5	1.3

Source: The UBS/Campden Wealth Global Family Office Report 2017

Note: Results for Emerging Markets and Asia-Pacific are likely to be affected by small samples

ALLOCATIONS TO FUNDS CONTINUE TO GROW AMONG MULTI-YEAR PARTICIPANTS WHILE CO-INVESTING ACTIVITY DECLINES

Continuing a trend from last year, allocations to private equity funds saw the highest increase within the average private equity portfolio, up 7.7% from 2016 among multi-year participants (figure 2.4).

While the majority (64.5%) of family offices feel that they have the right set of skills to invest directly, nearly one-fifth (17.5%) admitted that they may be facing some skills gaps (figure 2.5). Anecdotal feedback from the interviews we conducted reveals that investing through private equity funds may be a way to address those gaps. According to our interviewees, this approach allows family offices to achieve satisfactory deal flow and returns when internal resources are insufficient.

> *"We do not feel that we have the required tools inhouse and the required skills to invest directly, so we are happy to find good quality private equity managers and allocate to them, and pay them a fee."*
>
> Single family office executive, Europe

Despite family offices' claims in past years that they intend to increase their involvement in co-investing, the actual levels of activity decreased among the sample of multi-year participants. While in 2016, 15.0% of their average private equity portfolio was dedicated to co-investment deals, this dropped to 9.4% this year, suggesting that there are potential challenges related to this approach (figure 2.4).

Fig 2.4. Change in private equity allocations
% of portfolio share, private equity holdings only, multi-year participants

	2016	2017	Change
Private equity funds	35.1	42.7	7.7
Active management role	25.5	21.6	-4.0
Passive shareholder role	16.2	16.0	-0.2
Early-stage venture capital	7.8	8.1	0.3
Co-investments	15.0	9.4	-5.5
Deals syndicated by investment bank	0.4	2.2	1.7

Source: The UBS/Campden Wealth Global Family Office Report 2016; The UBS/Campden Wealth Global Family Office Report 2017

Fig 2.5. Views on private equity investing
% of family offices

	Agree	Neither agree nor disagree	Disagree	Don't know
We look to invest in private equity continuously – right across the cycle	70.3	17.6	10.9	1.2
We believe we have the right set of skills to invest directly	64.5	17.5	17.5	0.6
Family offices that are new to private equity investing should start by investing in private equity funds	53.3	30.9	12.1	3.6
When investing in PE funds, we look to diversify holdings across at least five funds	39.4	29.7	23.6	7.3
We keep our private equity return expectations constant irrespective of the economic context	36.0	22.6	39.6	1.8
It is easy to obtain professional advice when it comes to direct private equity investing	27.9	33.3	34.5	4.2
We believe that continuous, direct private equity investing can only be done successfully with a team of at least five full-time investment staff	20.5	42.2	30.7	6.6

Source: The UBS/Campden Wealth Global Family Office Report 2017

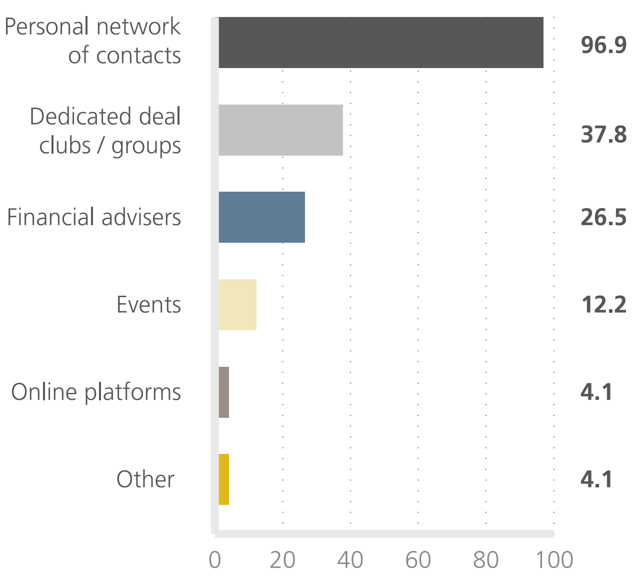
CO-INVESTING ATTRACTS WITH THE PROSPECT OF INVESTING DIRECTLY AND ALONGSIDE TRUSTED PARTNERS

On average, participating family offices were involved in 6.7 co-investment deals over the year, with over half (52.5%) of those being the so-called fund-to-family nature, rather than family-to-family (47.5%). A significant majority (96.9%) of those who co-invest found their existing deals through their own personal networks of contacts (figure 2.6).

Asked about what motivates them to co-invest, most of the participating family offices listed the opportunity to invest directly (69.7%), access to qualified prospects through trusted networks (67.7%) and a chance to collaborate with like-minded investors (64.6%) (fig. 2.7). Those findings were echoed in this year's interviews. A single family office executive from North America told us how she selects her co-investment deals below:

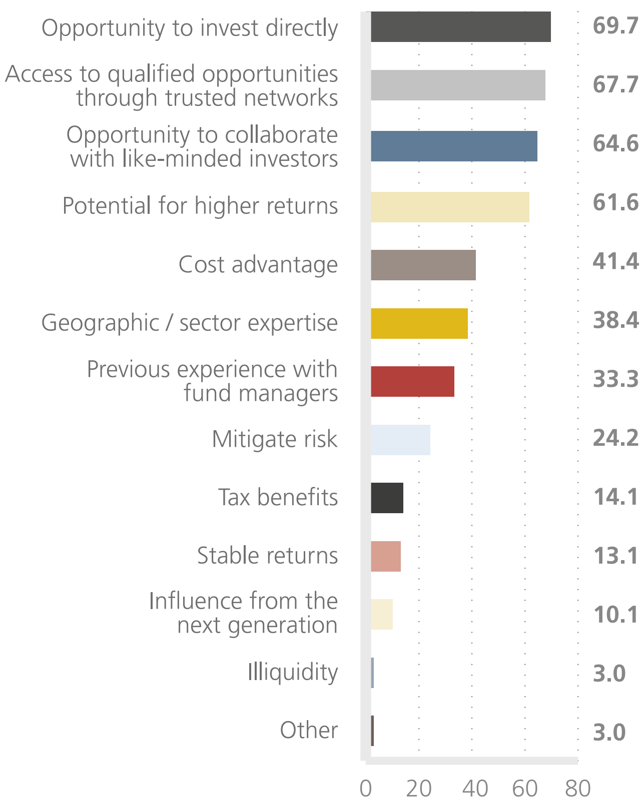
> *"I am a member of an association that brings together individuals interested in co-investing. I put effort in getting to know all members of this community to make sure that I can believe them. To me, it is always about the people behind the investment opportunity. I look for prospects where I can say 'I like these guys and the way they think. I think their values are very close to mine. I like the industry that they are working in and they seem to know what they are doing. They have got the money and the people, so yes, I would like to invest alongside them!'"*
>
> Single family office executive, North America

Fig 2.6. Source of co-investment deals
% of family offices; multiple options permitted



Source: The UBS/Campden Wealth Global Family Office Report 2017

Fig 2.7. Motivations to co-invest
% of family offices; multiple options permitted



Source: The UBS/Campden Wealth Global Family Office Report 2017

DEAL SOURCING IS A LIKELY CHALLENGE TO CO-INVESTING

Anecdotal feedback extracted from the interviews conducted last year exposed some important challenges that were likely to prevent family offices from greater involvement in co-investing. Difficulties relating to identifying investment opportunities and achieving alignment with their co-investment partners were the most frequently mentioned.

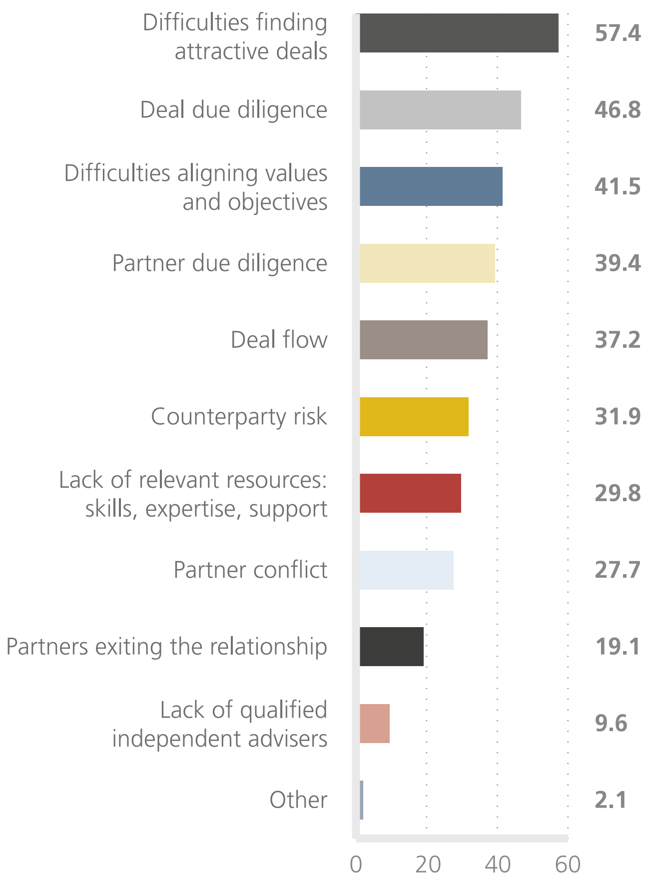
Findings obtained from this year's survey support those claims. When asked to identify the key challenges associated with co-investing, nearly six-in-ten of all participating respondents (57.4%) pointed to hardships that relate to sourcing attractive deals, while four-in-ten noted difficulties with aligning partners' values and objectives (41.5%), and with conducting needed due diligence (46.8%) (figure 2.8).

Regional analysis provides further interesting insight. While it may be slightly easier to find a co-investing opportunity in Asia-Pacific, family offices in this region are more likely to face challenges relating to due diligence, a lack of relevant skills and counter-party risks. In turn, family offices in North America find it relatively more difficult to maintain a steady co-investment deal flow (figure 2.8a).

Given the often challenging nature of co-investing, it does not come as a surprise that it can take several months for a deal to be agreed. On average, participating executives stated that this process is likely to stretch over 6.5 months starting from partners' first introduction.

On average, 67.8% of co-investment deals performed in line with the expectations of the participating family offices this year.

Fig 2.8. Challenges related to co-investing
% of family offices; multiple options permitted



Source: The UBS/Campden Wealth Global Family Office Report 2017

Fig 2.8a. Challenges related to co-investing, by region
% of family offices; multiple options permitted

	Europe	North America	APAC	EM
Difficulties finding attractive deals	51.2	60.7	50.0	71.4
Deal due diligence	39.0	42.9	66.7	71.4
Partner due diligence	31.7	42.9	58.3	42.9
Difficulties aligning values and objectives	41.5	35.7	33.3	71.4
Deal flow	34.1	57.1	16.7	14.3
Lack of relevant resources: skills, expertise, support	26.8	28.6	50.0	28.6
Counterparty risk	22.0	39.3	50.0	42.9
Partner conflict	22.0	28.6	41.7	28.6
Partners exiting the relationship	36.6	10.7	0.0	0.0
Lack of qualified independent advisers	9.8	7.1	8.3	28.6
Other (please specify)	0.0	0.0	0.0	14.3

Source: The UBS/Campden Wealth Global Family Office Report 2017

Note: Results for Emerging Markets and Asia-Pacific are likely to be affected by small samples.

Real Estate

REAL ESTATE MAINTAINS ITS STRONG POSITION

In 2017, 16.2% of all family office investments were allocated to real estate, making it the third largest asset class in the average family office portfolio. However, the year-on-year analysis of data provided by multi-year participants indicates a 0.7% allocation slip between 2016 and 2017 (see figure 1.2). As discussed in the Allocations section of this report, this is likely to be a consequence of multiple factors, including a relatively better performance of other asset classes, a lack of portfolio rebalancing and some developed-markets beginning to peak.

RESIDENTIAL PROPERTY INCREASINGLY ATTRACTS INVESTMENT

Looking at the average real estate portfolio, there is a clear skew towards investments into commercial property. In 2017, 56.6% of all real estate investments were directed towards commercial properties, compared with 43.4% towards residential holdings (figure 2.9).

Nevertheless, interest in residential investments is growing, as indicated by the analysis of multi-year participants. This cohort's allocations to residential properties increased by 4 percentage points since 2016, at the expense of commercial investments. This has been aided by the fact that mortgage rates have remained historically low in developed-markets, while demand for accommodation has remained strong.

HOME BIAS CONTINUES TO HOLD

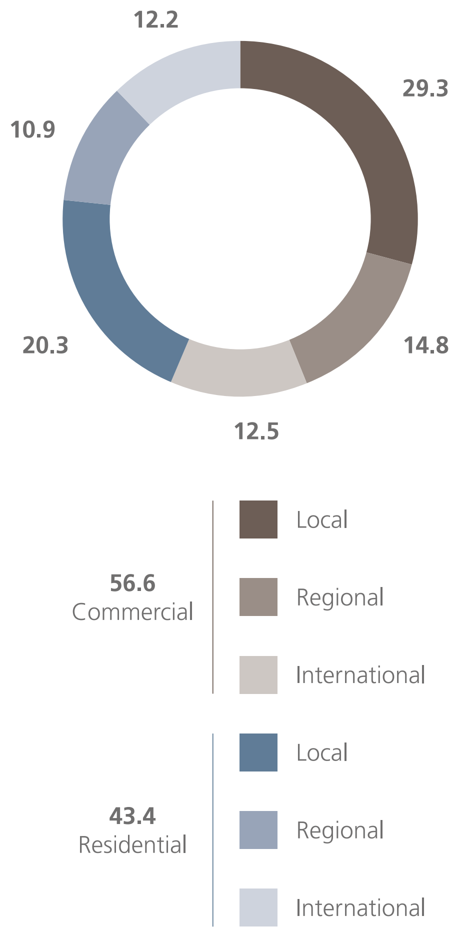
The home bias reported last year remains intact, on both commercial and residential sides. Looking at the average real estate portfolio, 49.6% of all investments were concentrated locally in 2017, compared with 25.7% regionally and 24.7% internationally. Further confirming this trend, investment in local residential real estate increased the most over the year among multi-year participants, by 2.7% (figure 2.10).

The family office executives interviewed this year remarked that investing locally carries important knowledge benefits, including familiarity with the local market, as well as its legal and regulatory environment. One single family office executive from Europe explains:

> *"When it comes to real estate, you really need to know the area, understand the local economy and its people - and why they are buying or selling at a specific moment. Besides, real estate is much more difficult to turn around fast compared with other investments. When you are far away from the deal, the turnaround is even slower. For instance, when things go wrong you should sell fast, but if you are not there, you are unlikely to even realise that there is an issue in time!"*
>
> Single family office executive, Europe

Comparing the results between regions, there is an indication that family offices based in Emerging Markets (61.2%) and Asia-Pacific (57.0%) are more likely to invest at home, compared with their peers in North America (49.0%) and Europe (45.4%) (figure 2.9a). As a consequence of gradually maturing real estate markets, finding attractive deals locally is becoming increasingly challenging for investors in some parts of the Western regions.

Fig 2.9. Real estate allocations
% of portfolio share, real estate holdings only



Source: The UBS/Campden Wealth Global Family Office Report 2017

Fig 2.9a. Real estate allocations, by region
% of portfolio share, real estate holdings only

	Europe	North America	APAC	EM
Commercial	**55.4**	**61.7**	**59.5**	**37.3**
Local	25.5	32.2	35.7	28.3
Regional	17.7	20.0	5.2	0.4
International	12.2	9.5	18.6	8.7
Residential	**44.6**	**38.3**	**40.5**	**62.7**
Local	19.9	16.8	21.3	33.0
Regional	13.8	16.8	5.0	0.0
International	10.9	4.7	14.2	29.7

Source: The UBS/Campden Wealth Global Family Office Report 2017

Note: Results for Emerging Markets and Asia-Pacific are likely to be affected by small samples.

Fig 2.10. Real estate change in allocations
% of portfolio share, real estate holdings only

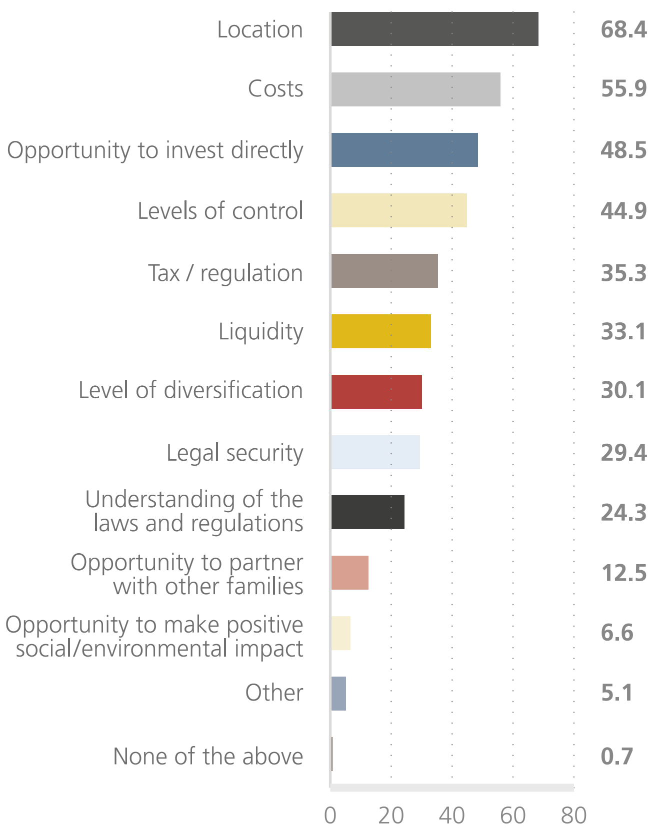
	2016	2017	Change
Commercial	**61.3**	**57.4**	▼ **-4.0**
Local	27.1	25.6	▼ -1.5
Regional	18.0	16.2	▼ -1.8
International	16.2	15.6	▼ -0.6
Residential	**38.7**	**42.7**	▲ **4.0**
Local	17.6	20.3	▲ 2.7
Regional	10.9	10.8	▼ -0.1
International	10.2	11.6	▲ 1.3

Source: The UBS/Campden Wealth Global Family Office Report 2017

LOCATION AND COSTS ARE THE KEY DRIVERS OF NEW INVESTMENTS

Asked about the factors that are likely to influence the decisions of family office executives when they consider new real estate investments, most pointed to location (68.4%) and costs (55.9%).

Fig 2.11. Motivations to invest in real estate, beyond returns
% of family offices, multiple options permitted



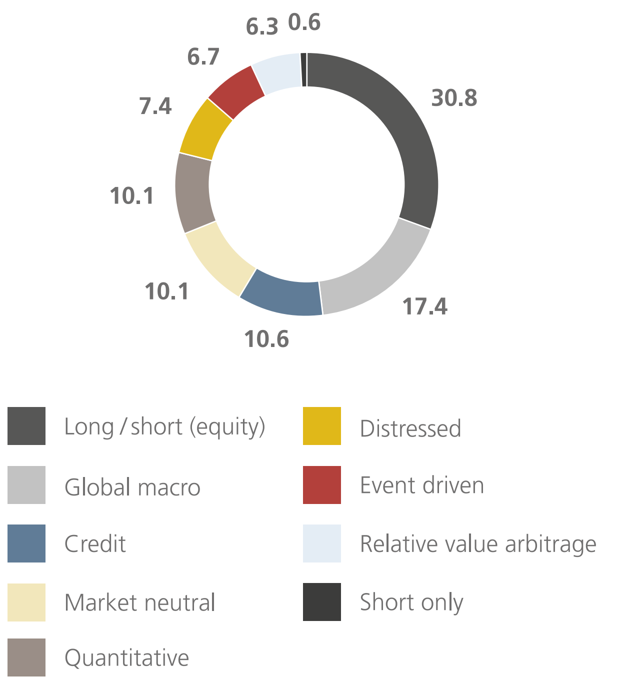
Source: The UBS/Campden Wealth Global Family Office Report 2017

Hedge Funds

In 2017, allocations to hedge funds represented 6.2% of the average family office portfolio, with North America and Europe allocating relatively more (figure 1.1a in the Allocations section). Looking at the hedge fund portfolio specifically, long / short (30.8%) and global macro (17.4%) strategies accounted for the highest proportion of all allocations to this asset class in 2017 (figure 2.12).

While long / short strategies are preferred by family offices in Europe (34.2%) and North America (31.4%), those in Emerging Markets (38.7%) and Asia-Pacific (30.0%) are likely to allocate more to global macro (figure 2.12a).

Fig 2.12. Hedge fund allocations
in % of portfolio share, hedge fund holdings only



Source: The UBS/Campden Wealth Global Family Office Report 2017

Fig 2.12a. Hedge fund allocations, by region
in % of portfolio share, hedge fund holdings only

	Europe	North America	APAC	EM
Long / short	34.2	31.4	15.2	21.0
Global macro	16.0	11.1	30.0	38.7
Credit	6.8	17.1	6.9	8.4
Market neutral	10.0	9.7	18.4	0.0
Quantitative	13.8	7.2	4.6	19.3
Distressed	6.0	7.0	12.0	7.6
Event Driven	5.5	10.6	5.1	1.7
Relative value arbitrage	6.5	5.6	7.8	3.4
Short only	1.1	0.4	0.0	0.0

Source: The UBS/Campden Wealth Global Family Office Report 2017

Note: Please note that results for Emerging Markets and Asia-Pacific are likely to be affected by small samples.

However, the year-on-year analysis of data supplied by multi-year participants indicates a further decline in allocations to this asset class, which is in line with last year's findings (figure 2.13). While in 2016 this group allocated 8.0% of the average family office portfolio to this asset class, this dropped to 7.1% this year (figure 1.2).

Fig 2.13. Change in hedge fund allocations
% of portfolio share, hedge fund holding only, multi-year participants

	2016	2017	Change
Long / short	34.4	32.8	▼ -2
Global macro	13.9	16.3	▲ 2
Market neutral	12.4	11.3	▼ -1
Distressed	5.9	9.1	▲ 3
Credit	11.0	8.7	▼ -2
Event Driven	11.5	7.6	▼ -4
Relative value arbitrage	7.0	7.3	▲ 0
Quantitative	3.7	6.4	▲ 3
Short only	0.2	0.5	▲ 0

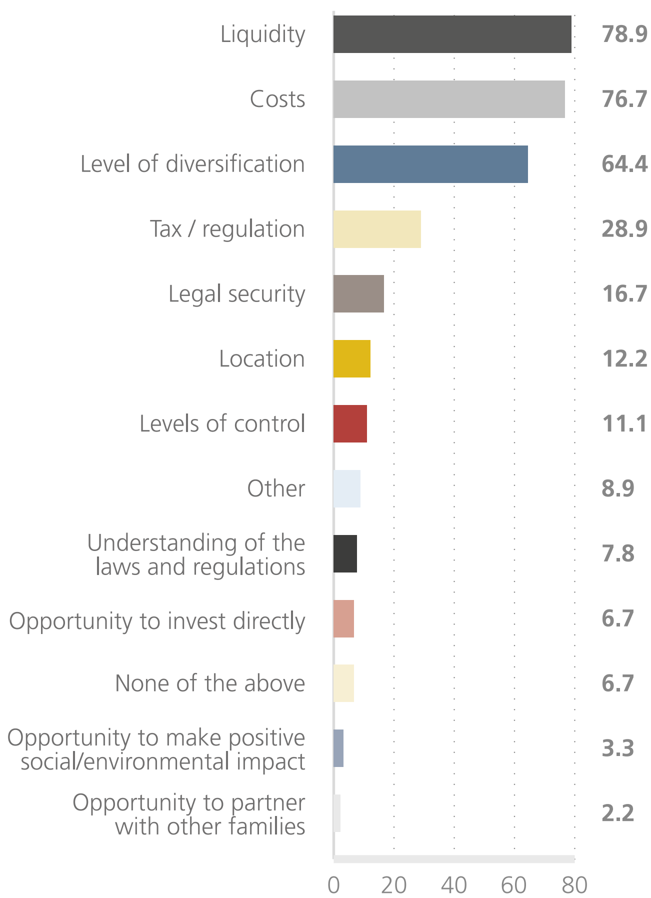
Source: The UBS/Campden Wealth Global Family Office Report 2017

Once again this year, family offices expressed concern regarding their potential to obtain satisfactory returns on their hedge funds investments. One single family office executive from Europe explains:

> *"Similar to some of our peers, we are leaving the hedge fund space. We are leaving simply because the returns have dropped massively. I think there is a growing resentment to pay fees for the poor 2% or 3% returns."*
>
> Single family office executive, Europe

Asked about the key factors that are the most likely to impact their decisions regarding their selection of hedge funds, participating executives pointed to liquidity (78.9%), costs (76.7%) and levels of diversification (64.4%) (figure 2.14).

Fig 2.14. Motivations to invest in hedge funds, beyond returns
(% of family offices, multiple options permitted)



Source: The UBS/Campden Wealth Global Family Office Report 2017

3.
Performance

1. Compared with a 0.3% return achieved in 2015, family office portfolios produced a stronger performance of 7.0% last year, largely driven by encouraging results within developed-market equities and the ongoing strength of private equity.

2. North American family offices performed the best globally (7.7%), due to their relatively lower allocations to real estate, which achieved a weaker performance in 2016, in favour of equities and private equity.

3. Real estate investments somewhat disappointed in 2016, generating an average return of 1.4%.

PERFORMANCE UP FROM 0.3% TO 7.0% OVER THE YEAR

With an average return of 7.0%, family office portfolios produced stronger performance in 2016, compared with the average 0.3% achieved in 2015. This notable improvement was largely driven by a remarkable recovery in equities, which produced a 9.9% average return (between developed and developing-markets), after a year of negative returns in 2015. High returns of private equity investments (12.9%) also contributed to the improved performance.

Yet, real estate, which typically accounts for a considerable share of the average family office portfolio, somewhat disappointed with a weaker average performance of 1.4%, compared with 8.7% in 2015.

NORTH AMERICA PRODUCED THE STRONGEST OVERALL PERFORMANCE

Family offices in North America achieved relatively better returns on their overall portfolios – 7.7% compared with 6.7% in Asia-Pacific, 6.6% in Europe and 6.2% in Emerging Markets (figure 3.2). This was largely driven by their relatively lower allocations to real estate, which achieved weaker performance in 2016, in favour of equities and private equity.

PERFORMANCE OF DEVELOPED-MARKET FIXED INCOME AND EQUITIES EXCEEDED EXPECTATIONS

Comparing actual performance of individual assets classes in 2016 to the projections made by family offices in that year, developed-market fixed income, and equities (in both developed and developing-markets) delivered results that exceeded their expectations, by 7.0% and 3.5% respectively. Improved performance of commodities was also positive news for many, generating returns in excess of 1.2% against expectations (figure 3.4).

Once again this year, hedge funds delivered a poor performance relative to expectations, generating results 4.2% short of the projections made by the average family office. In a similar manner, real estate generated results 7.2% below the expected return. This is likely to be a consequence of political and economic uncertainty across the regions, and some developed-markets beginning to peak as discussed in the Allocations and Focus on Real Estate parts of this report.

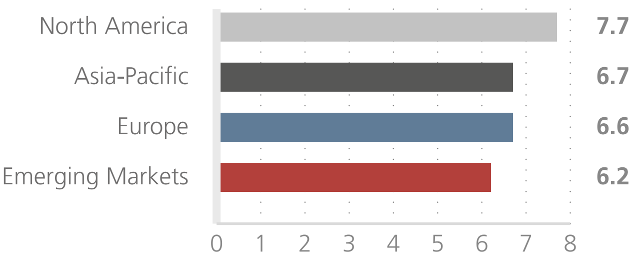
Fig 3.1. 2016 Estimated benchmark performance of global composite portfolio, by asset class
in %

Asset Class	Benchmark Performance Index	2015 Performance	2015 Allocation	2016 Performance	2016 Allocation
Developed-market fixed income	BBG Global IG Corp (BCOR)	-4.2	4.7	4.4	5.8
	BBG Global HY Corp (BHYC)	-4.7	4.7	14.8	5.8
Developing-market fixed income	BBG EM Local Sov (BLCSV)	-2.0	3.4	0.6	3.4
Developed-market equities	MXWO (Bloomberg)	-2.7	19.4	8.2	21.6
Developing-market equities	MXEF (Bloomberg)	-16.9	7.1	11.6	7.3
Private equity: includes direct, venture, funds, co-investing and investment bank syndication	Based on Cambridge Associates 2016 US PE Indices	5.9	21.6	12.9	20.3
Direct investment / private equity					
Private equity funds					
Co-investing					
Real estate direct investment adjusted for tangibles and other assets in 2015 and 2016	Euro REITS based on EPRA index (Bloomberg)	15.3	9.2	-4.8	9.6
	US REITS based on DJUSRE index (Bloomberg)	2.1	9.2	7.6	9.6
	US REITS based on DJUSRE index (UBCIWR30)				
Hedge funds	HFRXGL Global HF index (monthly)	-3.6	2.7	2.5	2.1
	HFRXMMS multi-strat index macro (monthly)	-1.8	2.7	-0.3	2.1
	HFRXEH Equity hedged (monthly)	-2.3	2.7	0.1	2.1
ETFs	Allocation and performance included in Equity allocation				
Tangibles	Allocation and performance included in Real Estate Direct investment				
Other assets (e.g. art)	Allocation and performance included in Real Estate Direct investment				
REITs	FTSE ENXG Index (Bloomberg)	0.8	0.9	6.5	0.8
Agriculture (forest, farmland, etc.)	Euro REITS based on EPRA index (Bloomberg)	15.3	0.9		
	US REITS based on DJUSRE index (Bloomberg)	2.1	0.9	7.6	1.7
	US REITS performance as proxy (UBCIWR30)				
Commodities - approximate asset allocation - categorical	CRY Bloomberg commodity	-22.8	1.6	9.3	1.2
Cash or equivalent	3 months deposit rate	0.3	8.4	0.8	6.6
TOTAL		**0.3**		**7.0**	

Source: The UBS/Campden Wealth Global Family Office Report 2016; The UBS/Campden Wealth Global Family Office Report 2017

Note: Estimated performance is based on select indexes and shown in USD, therefore the outcome is likely to vary when expressed in home currency. Figures were also rebased to accommodate omitted values and impacted by revised proxies. Although every effort is made to engage widely with family offices, participation is voluntary and some degree of self-selection bias may result in returns being slightly overstated.

Fig 3.2. 2016 Estimated benchmark performance of global composite portfolio, by region
in % return



Source: The UBS/Campden Wealth Global Family Office Report 2017

Fig 3.3. Market expectations of performance, by asset class 2014-2017
in % return

	2014	2015	2016	2017
Bonds				
Developed-market fixed income	3.5	3.1	2.6	2.7
Developing-market fixed income	5.8	5.7	5.5	4.2
Equities				
Developed-market	7.8	7.9	5.0	5.9
Developing-market	10.3	10.1	7.7	7.6
Alternative investments				
Private equity: includes direct, venture, funds, co-investing and investment, bank syndication	15.8	15.5		
Direct venture capital / private equity			12.5	14.2
Private equity funds			8.9	10.1
Co-investing			13.9	11.8
Hedge funds	7.3	7.8	5.0	5.5
Real estate direct investment	10.9	10.7	8.6	7.8
REITs	7.2	7.3	5.8	4.0
ETFs	7.6	6.9	4.3	4.7
Tangibles	13.3	13.2	8.3	4.0
Other assets (e.g. art)	13.0	13.0	6.8	4.0
Commodities				
Agriculture	9.3	9.3	7.4	5.9
Commodities	8.1	8.3	8.1	4.3
Cash or equivalent	**2.2**	**1.9**	**0.9**	**1.2**

Source: The UBS/Campden Wealth Global Family Office Report 2014; The UBS/Campden Wealth Global Family Office Report 2015; The UBS/Campden Wealth Global Family Office Report 2016; The UBS/Campden Wealth Global Family Office Report 2017

Fig 3.4. Actualised return vs. market expectations, 2016
in % return

	Benchmark Return 2016	Expected Return in 2016	Overall under / over performance against expectations
Bonds			
Developed-market fixed income	9.6	2.6	7.0
Developing-market fixed income	0.6	5.5	-4.9
Equities			
Developed-market	8.2	5.0	3.2
Developing-market	11.6	7.7	3.9
Alternative investments			
Private equity: includes direct, venture, funds, co-investing and investment, bank syndication	12.9		
Direct venture capital / private equity		12.5	
Private equity funds		8.9	
Co-investing		13.9	
Hedge funds	0.8	5.0	-4.2
Real estate direct investment	1.4	8.6	-7.2
REITs	6.5	5.8	-0.7
Commodities			
Agriculture	7.6	7.4	0.2
Commodities	9.3	8.1	1.2
Cash or equivalent	**0.8**	**0.9**	**-0.1**

Source: The UBS/Campden Wealth Global Family Office Report 2016; The UBS/Campden Wealth Global Family Office Report 2017

The Life Cycle of a Single Family Office

Interview with European Family Office CEO

For many wealth owners, setting up a family office is a complex decision. All details must be considered and the motivations for doing so must be explored. This case study provides one example of a family's decision to set up a single family office, where it is clear that a desire to take control of their wealth was the deciding factor.

HOW DID YOU INITIALLY SET-UP THE FAMILY OFFICE?

I set the family office up in 2001, along with my wife and her family. My wealth was created from investment banking and her family's came from being a bottler for most of Europe, Russia and many African territories.

After a period in the United States, I returned to Europe and I wanted to set up a family office to manage my wealth. I went to my wife's family and said, 'Would you be interested in joining me? Put in your pounds and I will put in my pennies, and together we can do something interesting'.

WHAT PROMPTED YOU TO SET UP THE FAMILY OFFICE?

My pitch really resonated because back then in 2001, there were some intergenerational changes going on. The older generation was in the process of stepping down and the younger generation, who were 15 years younger than me, wanted to change the style in which they managed their wealth.

WHAT WERE THE KEY CHALLENGES OF THE FAMILY OFFICE?

While it may be a cliché, you always hear, 'all family offices are unique', so you really have to build these from the bottom up for the sole purpose of satisfying the family. In my case, we needed to review what we already had in place and think about the changes that we would like to make.

We needed to exit the relationship with our bank and reduce their role to just the cost of doing administration. Therefore, we had to build the whole investment process from scratch, inhouse. Some elements were already in existence; for example, back office, legal and tax. It is like taking an old house, knocking down a wing, then building an extension to improve the complete structure of it.

HOW HAS THE INVESTMENT PROCESS DEVELOPED?

Building the investment platform was a long and complex process. We are a single family office, but a significant one, with 140 members. Back in 2001 this meant that we had a lot of moving parts. In the beginning I was outsourcing a lot of the investment management functions. In 2002 we had over 50% managed by third-party managers. While we had success with some, we also experienced disappointments. So we rethought our basic model and decided to bring more of the investment management process inhouse.

Slowly but surely we started to exit our third-party relationships and brought the funds inhouse – and I increased the number of staff. We have inhouse managers that look after European equities, US equities, emerging market equities, hedge funds and fixed income. This means that the majority of the portfolio is now managed inhouse.

We still have some relationships with experts in more specialist areas, such as private equity, a high yield New York manager and a Chinese equities manager. In both of these cases we are really happy with the relationships so we thought 'why reinvent the wheel here?'.

WHAT ADVICE DO YOU HAVE FOR A FAMILY CONSIDERING SETTING UP A FAMILY OFFICE?

If I were to start with a blank piece of paper, I would keep it simple. Also, I would have a greater variation of strategies in my portfolio. I think there is a vanity within family offices that they can outperform the market, but the empirical evidence suggests that this is extremely rare.

Structures

4. Costs

5. Human Capital

4.
Costs

1. Family offices' total average spend on services stood at $10.6 million in 2017. Operating costs, which stayed relatively flat over the year, accounted for $6.5 million of this figure, while external management performance and administration fees accounted for $4.1 million.

2. Drilling down into these figures, one interesting change that occurred over the year was that spend towards investment-related activities declined, with single family offices' average costs dropping 5.8 basis points and multi family offices' falling a moderate 0.7 basis points.

3. Conversely, the amount spent on family governance and succession planning rose to account for the largest proportion of all family professional services spend, averaging $253,000 for single family offices and $399,000 for multi family offices. Seeing this increase in investment towards succession planning matches the sentiment expressed by family offices last year, as their number one ranked priority was to focus on planning for the transition of the next generation of wealth holders.

> *"Family offices have become a lot more cost conscious over the last 15 - 20 years. One of my primary responsibilities is to deliver value for money. If rolling costs of running a family office begin to creep above 85 basis points, I think one should question whether the family is getting value for money."*
>
> Single family office executive, Europe

The following section outlines family offices' operating costs, and their external investment manager performance and administration fees. In addition to costs being expressed in US dollars, they are also described in basis points as a means to evaluate how costs have changed relative to family offices' average AUM.

All multi-year data is based on surveys from the 101 family offices who participated in the ***Global Family Office Reports*** in 2016 and 2017, while all US dollar figures are based on data from the full sample of 262 family offices.

AVERAGE SPEND ON SERVICES STOOD AT $10.6 MILLION

This year we continue to provide a breakdown of the average costs family offices are incurring to operate their businesses. The average spend amongst the full sample of family offices we surveyed stood at $10.6 million in 2017. Operating costs represented just over $6.5 million of this total, while external management performance ($1.9 million) and administration fees ($2.2 million) accounted for a combined $4.1 million (figure 4.5).

OPERATING COSTS HAVE STAYED RELATIVELY FLAT

When examining these figures in basis points of AUM, we can see that operating costs (excluding investment manager fees) have stayed relatively flat over the year, dropping a mere 0.7 basis points to settle at 73.3 basis points (figure 4.1).

This year, we are also introducing analysis of investment manager administration fees, which accounted for an average of 24.7 basis points per family office (figure 4.1). Given this year's inclusion of this fee, the jump in total operating costs between 2016 and 2017 reflects a change in methodology, rather than a change in spending requirements.

Fig 4.1. Overall operating costs (excluding management fees) - Total (SFOs + MFOs)
in basis points, multi-year participants

	2016	2017
Overall operating cost (excl. external manager's fees) not multi-year participants	74.0	73.3
Investment manager administration fee	(not available in 2016)	24.7
Investment manager performance fee	21.2	22.7

Source: The UBS/Campden Wealth Global Family Office Report 2016; The UBS/Campden Wealth Global Family Office Report 2017

Breaking down operating costs (excluding investment manager performance fees) by type of family office reveals that single family offices' average cost, in isolation from multi family offices, rose slightly over the year from 73.5 basis points of AUM in 2016 to 74.0 in 2017 (averaging $5.4 million).

Meanwhile, multi family offices' average cost declined from 75.3 basis points to 70.6, to total $9.1 million in 2017 (figures 4.2 and 4.5). Promoting the benefits that these offices provide in terms of economies of scale and knowledge sharing between families, one single family office executive from North America remarked:

> *"If I expand the single family office and start hiring other professionals it will increase the cost to the family and to the single family office substantially... and how much will that deflect from the returns that the family office is receiving. Versus, if I go the multi family office route, you can share those expenses and provide the family with like-minded families to share knowledge, so that they do not feel like they are going it alone."*
>
> Single family office executive, North America

Another family office executive from a multi family office suggested that technology could be helping to reduce their costs:

> *"For me it has really been about financial technology improvements, and the willingness of families to outsource certain functions like bill pay, balance sheet and trust accounting. That outsourcing is at a much lower cost since you do not have two or three dedicated employees, which is a huge benefit."*
>
> Multi family office executive, North America

INVESTMENT ACTIVITY COSTS FALL

When we examine the operating costs of single family offices and multi family offices in basis points across four key categories – general advisory, investment related activities, family professional services and administrative activities – an interesting pattern emerges.

Single family offices' operating costs all ticked upwards, except for those relating to investment-related activities which went down, while multi family offices' operating costs fell across the board.

Single family offices spend on investment activities fell 5.8 basis points (to total $2.2 million), namely due to savings within the investment banking function, financial accounting and alternative investment (figure 4.2 / 4.5). However, costs rose for the remaining categories: family professional services (up 3.1 basis points), administrative activities (+2.3) and general advisory (+0.8) (figure 4.2).

Multi family offices conversely enjoyed a year of declining costs relative to their average AUM. Spend on their investment activities stood at $3.9 million; a moderate 0.7 basis point decline between 2016 and 2017, which came off the back of a down-turn in manager selection costs (figure 4.2 / 4.5). They also experienced dips in spending towards family professional services, general advisory and administrative activities, which stems in part from a reduction in accounting, IT and legal service spending.

Fig 4.2. Overall operating costs (excluding management fees) for SFOs, MFOs and Total SFOs + MFOs
in basis points, multi-year participants

	Total SFOs + MFOs		SFO		MFO	
	2016	2017	2016	2017	2016	2017
General advisory	14.2	14.7	14.2	15.0	14.1	13.6
Investment related activities	34.9	30.0	33.6	27.8	37.9	37.2
Family professional services	9.8	11.6	9.8	12.9	9.8	6.9
Administrative activities	15.1	17.0	15.9	18.2	13.5	13.0
Total	**74.0**	**73.3**	**73.5**	**74.0**	**75.3**	**70.6**

Source: The UBS/Campden Wealth Global Family Office Report 2016; The UBS/Campden Wealth Global Family Office Report 2017

Note: Due to the small sample of multi-year participants, particularly among multi family offices, there might be a degree of unexpected variation between year-on-year figures; therefore the results should be interpreted only as indications of shifts.

Fig 4.3. General description of service categories

Family professional services	Family governance and succession planning; support for new family business and other projects; concierge services and security; family counselling/relationship management; management of high-value physical assets (e.g. property, art, aircraft, yachts); entrepreneurial projects; education planning; next generation mentoring; entrepreneurship; communication between generations.
Administrative activities	Accounting; book-keeping; mail sorting; office overheads; IT costs; management of contracts.
General advisory services	Financial planning; tax planning; trust management; legal services; estate planning; insurance planning.
Investment related activities	Asset allocation; traditional investments; manager selection/oversight; real estate direct investment; financial accounting/reporting; alternative investments; investment banking functions; risk management; global custody and integrated investment reporting; private banking; foreign exchange management; philanthropy.

Source: The UBS/Campden Wealth Global Family Office Report 2017

SUCCESSION PLANNING TAKES PRIORITY

It is also interesting to note that family governance and succession planning now accounts for the greatest proportion of all family professional services spend this year, averaging $253,000 for single family offices and $399,000 for multi family offices (figure 4.5).

Last year, family offices ranked succession planning as their number one governance priority for the forthcoming 12 months. Seeing this area rise to the top of their list investment wise, suggests that they are keeping to their priorities, as does the fact that the number of family offices which have put succession plans in place over the year has grown to nearly 50% (figure 6.1).

ASIA-PACIFIC HAS THE HIGHEST TOTAL OPERATING COSTS (IN BASIS POINTS)

Echoing our findings from last year, family offices in Asia-Pacific incur the largest total operating costs, relative to their average AUM, standing at 131.2 basis points. Once investment manager performance and administration fees are excluded from this figure, their operating costs average 85.3 basis points.

In comparison, North America's average operating costs (excluding external management fees) stand at 61.3 basis points (of AUM), as the region benefits from a higher average AUM per family office.

Equally so, we can further see the concept of 'economies of scale' play out, as the family offices with the highest AUMs generally had the lowest relative operating costs. To illustrate, family offices with over $1bn in AUM had an average operating cost of 110.2 basis points, while those with an AUM between $251m - $1bn had costs that average 112.1 basis points, followed by those in the $250m or less category with 122.1 basis points (figure 4.4).

"We have moved from having third-party managers to bring the processes largely inhouse, which I know is in line with a lot of our peers and family office businesses."

Single family office executive, Europe

Fig 4.4. Average operating cost, by region and AUM
in basis points (of AUM)

	Region				Assets under management (USD)		
Average	**Europe**	**North America**	**APAC**	**EM**	**<250m**	**251m - 1bn**	**>1bn**
Overall operating cost (excl. external manager's fees)	73.4	61.3	85.3	66.9	74.7	66.5	70.9
External management administration fee	25.1	27.5	21.0	19.3	24.3	26.1	20.9
External management performance fee	19.7	25.0	24.9	12.1	23.1	19.4	18.4
Total Operating Cost (2017)	**118.3**	**113.9**	**131.2**	**98.3**	**122.1**	**112.1**	**110.2**

Source: The UBS/Campden Wealth Global Family Office Report 2017

Note: Results for Emerging Markets and Asia-Pacific are likely to be affected by small samples.

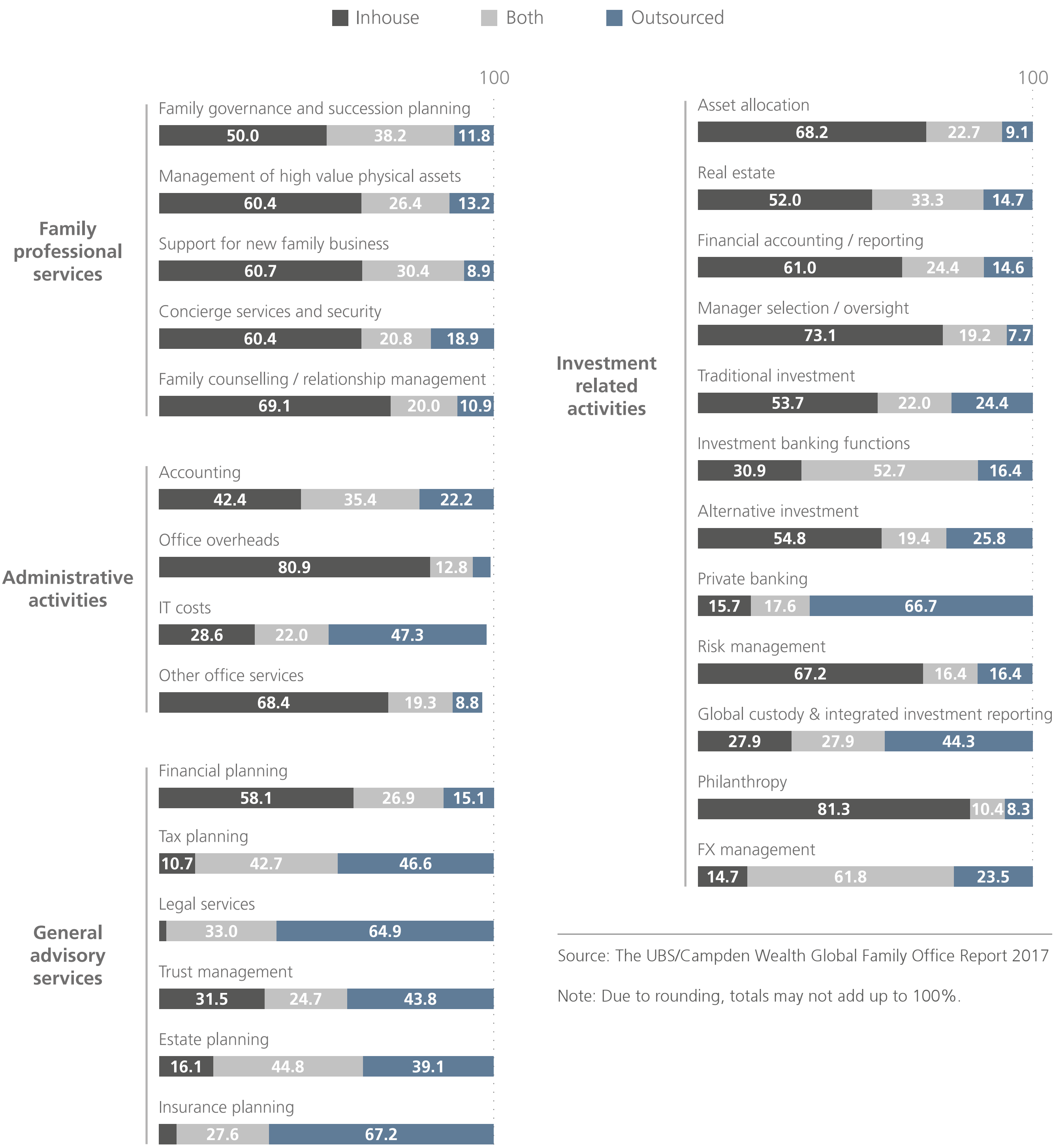
Note: Due to rounding totals may not round up to 100%

Fig 4.5. Costs and management of individual services from main service categories – SFOs, MFOs and Total (SFOs + MFOs)

Service	Total (SFOs + MFOs)			SFO			MFO		
	Proportion of operating costs, in %	Operating costs in basis points (of AUM)	Operating cost for the average family office, in USD	Proportion of operating costs, in %	Operating costs in basis points (of AUM)	Operating cost for the average family office, in USD	Proportion of operating costs, in %	Operating costs in basis points (of AUM)	Operating cost for the average family office, in USD
Family professional services	**15.6**	**11.1**	**1,022,000**	**16.3**	**11.3**	**876,000**	**14.2**	**10.6**	**1,289,000**
Family governance and succession planning		3.3	302,000		3.3	253,000		3.3	399,000
Management of high value physical assets (e.g. property, art, aircraft, yachts)		1.9	175,000		2.1	162,000		1.5	186,000
Support for new family business and other projects		2.1	196,000		2.0	153,000		2.4	290,000
Concierge services and security		1.8	163,000		2.1	166,000		1.1	129,000
Family counselling / relationship management		2.0	186,000		1.8	142,000		2.3	285,000
Administrative activities	**22.7**	**16.2**	**1,489,000**	**22.8**	**15.8**	**1,223,000**	**22.6**	**16.9**	**2,059,000**
Accounting		5.3	488,000		5.3	411,000		5.2	634,000
Office overheads		6.2	567,000		6.1	469,000		6.3	772,000
IT costs		2.5	231,000		2.4	185,000		2.8	339,000
Other office services		2.2	203,000		2.1	158,000		2.6	314,000
General advisory services	**20.5**	**14.6**	**1,345,000**	**20.6**	**14.3**	**1,106,000**	**20.4**	**15.2**	**1,857,000**
Financial planning		3.9	360,000		3.3	255,000		5.4	654,000
Tax planning		3.5	320,000		3.7	284,000		3.0	364,000
Legal services		2.7	248,000		3.0	232,000		1.9	234,000
Trust management		1.9	179,000		1.9	149,000		2.0	241,000
Estate planning		2.1	189,000		1.9	146,000		2.4	296,000
Insurance planning		0.5	49,000		0.5	41,000		0.6	68,000
Investment related activities	**41.1**	**29.2**	**2,693,000**	**40.3**	**28.0**	**2,163,000**	**42.8**	**31.9**	**3,892,000**
Asset allocation		3.3	305,000		3.1	239,000		3.8	466,000
Real estate		3.7	337,000		3.8	291,000		3.4	410,000
Financial accounting / reporting		3.1	289,000		3.3	251,000		2.8	344,000
Manager selection / oversight		3.3	301,000		3.5	266,000		2.8	344,000
Traditional investment		4.4	406,000		3.7	284,000		6.1	745,000
Investment banking functions		2.2	199,000		1.8	137,000		3.0	372,000
Alternative investment		2.3	216,000		2.3	179,000		2.4	289,000
Private banking		1.7	157,000		1.6	122,000		2.0	242,000
Risk management		1.6	149,000		1.6	127,000		1.5	186,000
Global custody & integrated investment reporting		1.5	142,000		1.4	105,000		2.0	242,000
Philanthropy		1.6	151,000		1.6	122,000		1.8	214,000
FX management		0.5	42,000		0.5	40,000		0.3	37,000
Total		**71.1**	**6,549,000**		**69.5**	**5,368,000**		**74.5**	**9,097,000**
Administration / management		**24.0**	**2,207,000**		**23.9**	**1,844,000**		**24.1**	**2,944,000**
Performance		**21.0**	**1,932,000**		**18.6**	**1,436,000**		**25.6**	**3,124,000**

Source: The UBS/Campden Wealth Global Family Office Report 2017 / Note: Due to rounding, totals may not add up to 100%
Note: Due to the small sample of multi-year participants, particularly among multi family offices, there might be a degree of unexpected variation between year-on-year figures; therefore the results should be interpreted only as indications of shifts.

Fig 4.5a. Management of individual services from main service categories
% of total cost per service



Source: The UBS/Campden Wealth Global Family Office Report 2017

Note: Due to rounding, totals may not add up to 100%.

5.
Human Capital

1. C-suite salaries have markedly increased across the board between 2016 and 2017, with CEOs and COOs enjoying the highest annual growth in base salaries, up 9.8% and 10.1% respectively.

2. CEOs in North America currently receive the highest average base salaries ($411,000), followed by CEOs in Europe ($344,000), Emerging Markets ($314,000) and Asia-Pacific ($271,000).

3. Women are under-represented on the C-suite level - merely 7.7% of the family offices we surveyed have female CEOs, leaving nine out of 10 of the remaining top spots to men. Only 13.2% of CIO posts are held by women, along with about 38% of COO and CFO posts.

4. Most C-suite executive positions are held by non-family members. However, family members hold nearly half (44.4%) of all CEO positions, 24.7% of CIO positions, 13.5% of COO and 11.1% of CFO posts.

In this year's report, we continue to map the salaries of C-suite family office executives across the globe. In doing so, we see a general rise in salaries year-on-year, with a similar proportion of base salaries being allocated to bonuses between 2016 and 2017 (29% - 47%).

This year, however, we aimed to better understand the identity of these top-level executives. In particular, we examined the proportions of women and family members who hold key family office positions, relative to men and non-family members. Doing this revealed that the large majority of C-suite positions are held by men and non-family members, with the only exception being in the case of CEO roles, as nearly half (44.4%) are occupied by family members. It will be insightful to capture how this balance evolves in the coming years of the ***Global Family Office Report***, particularly as next generation members assume more control.

C-SUITE SALARIES ARE MARKEDLY UP

Family offices bounced back from a year of low overall investment returns, which averaged 0.3% in 2015, to climb to 7.0% in 2016. C-suite salaries have been on the rise, driven by these investment gains and greater competition among family offices for talent. Globally speaking, among 2016/2017 multi-year participants, CEOs and COOs have enjoyed the highest salary increases, up circa 10% each. CEOs' average salary rose from $334,000 to $367,000, while COOs' average salary rose from $195,000 to $215,000. Meanwhile, CIOs' average salary climbed 7.7% from $292,700 to $314,000, and CFOs' jumped 6.8% from $199,000 to $213,000 over the year (figure 5.1).

Fig 5.1. The base salary of C-suite personnel, multi-year participants
in USD

Average	Average base salary 2016	Average base salary 2017	% change
Chief Executive Officer	334,000	367,000	9.8
Chief Investment Officer	292,000	314,000	7.7
Chief Operations Officer	195,000	215,000	10.1
Chief Financial Officer	199,000	213,000	6.8

Source: The UBS/Campden Wealth Global Family Office Report 2016; The UBS/Campden Wealth Global Family Office Report 2017

NORTH AMERICAN CEOs RECEIVE THE HIGHEST SALARIES

CEOs in North America benefit from the highest base salaries, earning an average of $411,000 per year. They also receive the highest proportionate bonuses, which average 53.5% of their base salary and bring their total average annual compensation to $631,000. European salaries are the second highest, with CEOs making an average base salary of $334,000 and an average bonus of 48.7% (of the base salary), bringing their total annual compensation to $497,000 (figure 5.2).

Fig 5.2. CEO compensation, by region
in USD

Average	Europe	North America	APAC	EM
CEO base salary	334,000	411,000	271,000	314,000
CEO bonus as % of salary	48.7	53.5	33.5	29.8
Total Average CEO base salary	**497,000**	**631,000**	**362,000**	**408,000**
Average family office AUM	945,000	1,170,000	445,000	874,000
CEO base salary in USD per million of AUM	353,000	352,000	6,111,000	359,000

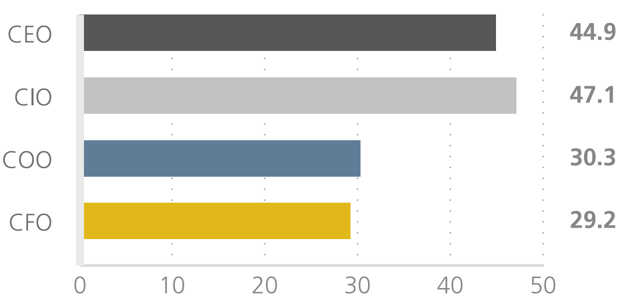
Source: The UBS/Campden Wealth Global Family Office Report 2017

Note: Results for Emerging Markets and Asia-Pacific are likely to be affected by small samples.

BONUSES TYPICALLY RANGE BETWEEN 29% - 47%

Across all C-suite positions, bonuses range between 29% - 47% of the base salaries, with CIOs receiving the highest average proportionate bonus, 47.1%, followed by CEOs, 44.9%. COOs' and CFOs' bonuses tend to lie around the 30% mark (figure 5.3).

Fig 5.3. Average bonuses paid to C-suite executives
% of base salary



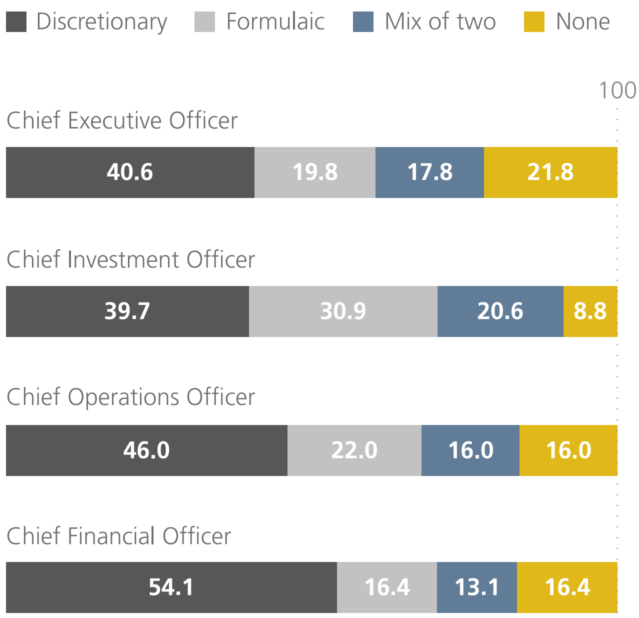
Source: The UBS/Campden Wealth Global Family Office Report 2017

BONUSES ARE MORE OFTEN DISCRETIONARY THAN FORMULAIC

The majority of CEOs (78.2%) received a bonus over the last 12 months. Of these bonuses, 40.6% were discretionary, 19.8% were formulaic, and 17.8% were a mixture of discretionary and formulaic.

Nine in 10 CIOs received a bonus (91.1%), with the bulk being discretionary (39.7%) or formulaic (30.9%), while CFOs' bonuses were more often than not discretionary (54.1%) (figure 5.4).

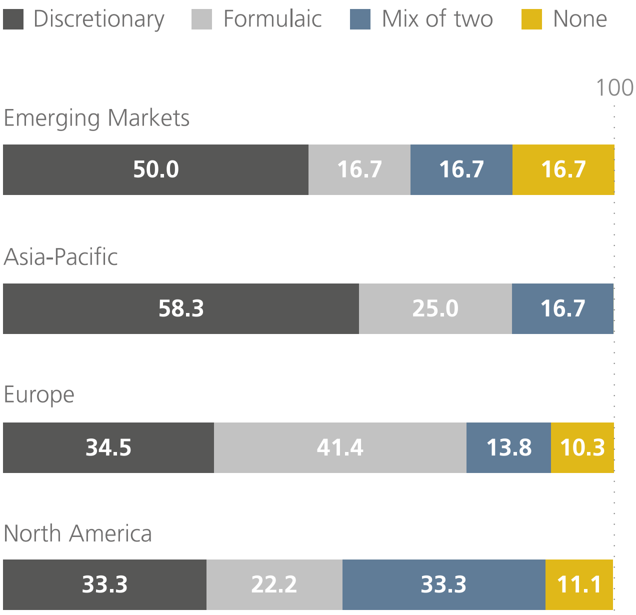
Fig 5.4. C-suite executives, by type of bonus
in %



Source: The UBS/Campden Wealth Global Family Office Report 2017

Regionally speaking, bonuses in Asia-Pacific and Emerging Markets were more likely to be discretionary than those in Europe or North America. At least half of the bonuses issued in Asia-Pacific (58.3%) and Emerging Markets (50.0%) were discretionary, compared to roughly one-third in Europe (34.5%) and North America (33.3%). European family offices tended to rely most heavily on a formulaic approach (41.4%), while those in North America opted equally between a discretionary and mixed use approach (33.3%) (figure 5.5).

Fig 5.5. C-suite executives, type of bonus given by region
in %

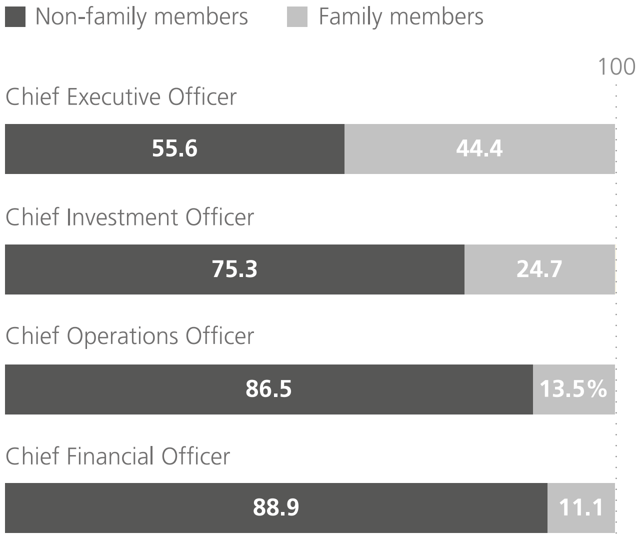


Source: The UBS/Campden Wealth Global Family Office Report 2017

FAMILY MEMBERS FILL NEARLY HALF OF THE CEO ROLES

While the majority of C-suite positions are held by non-family members, roughly half (44.4%) of the CEO posts are occupied by family members, ensuring that the oversight of businesses align with families' own objectives and values. The majority of the other C-suite positions are held by professionals outside the family, with only 24.7% of CIO roles, 13.5% of COO roles and 11.1% of CFO roles being held by family members (figure 5.6).

Fig 5.6. C-suite executives, by family members and non-family members
in %

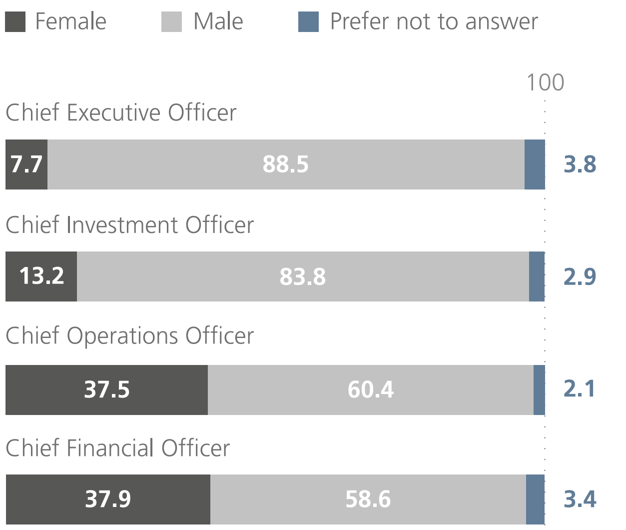


Source: The UBS/Campden Wealth Global Family Office Report 2017

WOMEN ARE UNDER-REPRESENTED ON THE C-SUITE LEVEL

Males continue to dominate the top positions held in family offices. Only 7.7% of the family offices we surveyed reported to have female CEOs; leaving over nine out of ten of the remaining top spots to men. Women are somewhat more likely to occupy other C-suite roles, with 37.9% reportedly serving as CFOs, 37.5% as COOs and 13.2% as CIOs (figure 5.7).

Fig 5.7. C-suite executives, by gender
in %



Source: The UBS/Campden Wealth Global Family Office Report 2017

FAMILY OFFICES AVERAGE 12 TEAM MEMBERS

Family offices tend not to be large operations resource-wise, with the average across all regions housing 12 members of staff. Of these, roughly four members handle investment-related activities, two provide general advisory services, two offer family professional services, while another four offer administrative support (figure 5.8). Single family offices and multi family offices rely on similar levels of staff, with the average single family offices employing 11 professionals and the average multi family offices employing 14. One family office executive from North America stated:

> *"We have a surprisingly small staff; we have 10 individuals. We have basically three portfolio managers that run the day-to-day operations of the portfolio. And then we have two face-to-face relationship managers... as well as three back-ups or assistants who help us with their requests and make sure that we are getting the information to the family."*
>
> Single family office executive, North America

Fig 5.8. Number of full-time staff working in the following areas
in people

Average	Total SFOs + MFOs	SFO	MFO
Family professional services	2.3	2.3	2.2
Administrative activities	3.9	3.7	4.3
General advisory services	2.2	2.0	2.5
Investment activities	3.7	3.2	4.8
Total	**12.1**	**11.2**	**13.8**

Source: The UBS/Campden Wealth Global Family Office Report 2017

Note: Due to the small sample of multi-year participants, particularly among multi family offices, there might be a degree of unexpected variation between year-on-year figures; therefore the results should be interpreted only as indications of shifts.

Purpose

6. Succession Planning and Survival

7. Accountability and Risk Management

8. Social and Environmental Impact

6. Succession Planning and Survival

1. Last year we reported that family offices' number one ranked priority was to create a succession plan, as 69% expected to undergo a generational transition within the next 15 years. This year we can report that nearly half (47.3%) of family offices claim to have some form of plan now in place, while 29.6% are still developing their plans.

2. As family offices prepare for a generational shift, 35.5% expect the next generation to take hands-on control of the family office, while 30.5% expect that the family office will be run by non-family members with oversight from the next generation.

3. A number of family offices implement well thought-out approaches to prepare the next generation. A notable number opt for work experience in the family office (57.9%) or externally (44.3%), involvement in philanthropy / impact investing (37.9%) or structured investment training (30.7%). Most family offices blend these approaches in one form or another.

> *"We inherited our wealth and we need to pass it along to the next generation. It does not 'belong' to us. We are benefitting from it and so should the next generation. We try our best to preserve and grow it."*
>
> Single family office executive, Europe

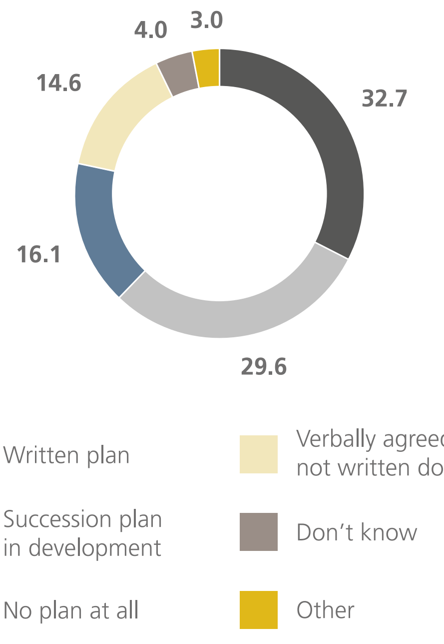
SUCCESSION PLANNING STILL NEEDS ATTENTION IN SOME FAMILY OFFICES

Facilitating the transfer of intergenerational wealth is a key priority for family offices. In the previous edition of the ***Global Family Office Report 2016***, 'implementing a succession plan' was cited as a key governance priority, as close to half of the family offices surveyed were expecting a generational transition within the next ten years.

This year, we delve further into this area and explore family offices' progress and the various types of succession plans they have in place. Our findings reveal that nearly half (47.3%) of family offices already have either written (32.7%) or verbally agreed (14.6%) succession plans, while 29.6% are currently in the midst of developing their plans.

However, over one-sixth (16.1%) admit that they have not planned for a generational transition at all (figure 6.1).

Fig 6.1. Succession plans in place
% of family offices



Source: The UBS/Campden Wealth Global Family Office Report 2017

Looking cross-regionally, family offices in Asia-Pacific somewhat lag behind other regions when it comes to succession planning, as currently only 13.0% have written plans in place and 19.4% have no plan at all. Yet, this may change in the near future as 48.4% claim that they are developing succession plans at the moment.

Fig 6.2. Succession plans in place, by region
% of family offices

Average	Europe	North America	APAC	EM
Succession plan in development	26.5	28.1	48.4	18.8
Formal / informal written plan	31.4	38.6	13.0	50.1
Verbally agreed, but not written plan	19.3	7.0	16.1	6.3
No plan at all	13.3	19.3	19.4	18.8
Don't know	4.8	5.3	0.0	6.3
Other – please specify	4.8	1.8	3.2	0.0

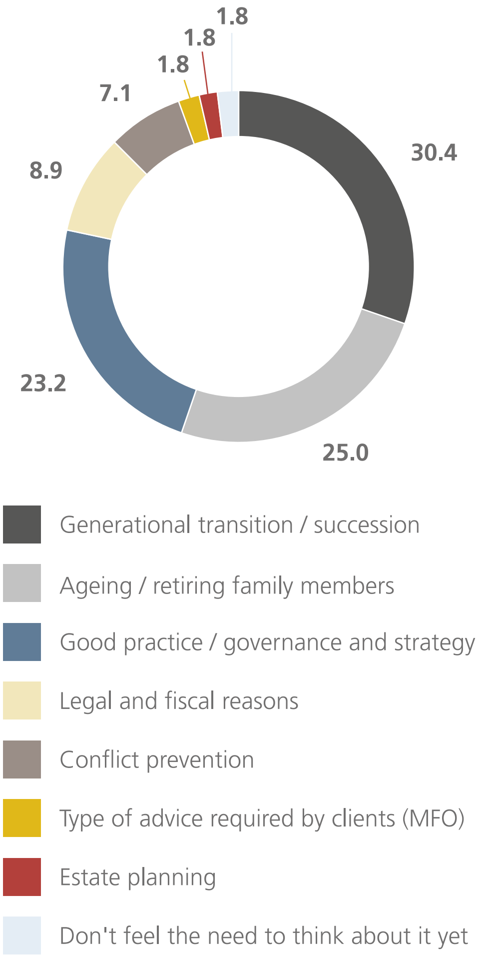
Source: The UBS/Campden Wealth Global Family Office Report 2017

Note: Due to rounding, totals may not add up to 100%

GENERATIONAL TRANSITION IS THE MAIN PULL FACTOR FOR SUCCESSION PLANNING

Close to one-third (30.4%) of family offices identified generational transition / succession as the primary driving force behind developing a succession plan, while one-quarter (25.0%) noted the age and retirement of the current generation in charge as the key pull factor. To a lesser extent, 'good practice / governance and strategy' was mentioned as a contributing factor (23.2%) (figure 6.3).

Fig 6.3. Factors contributing to the preparation of a succession plan
(% of family offices

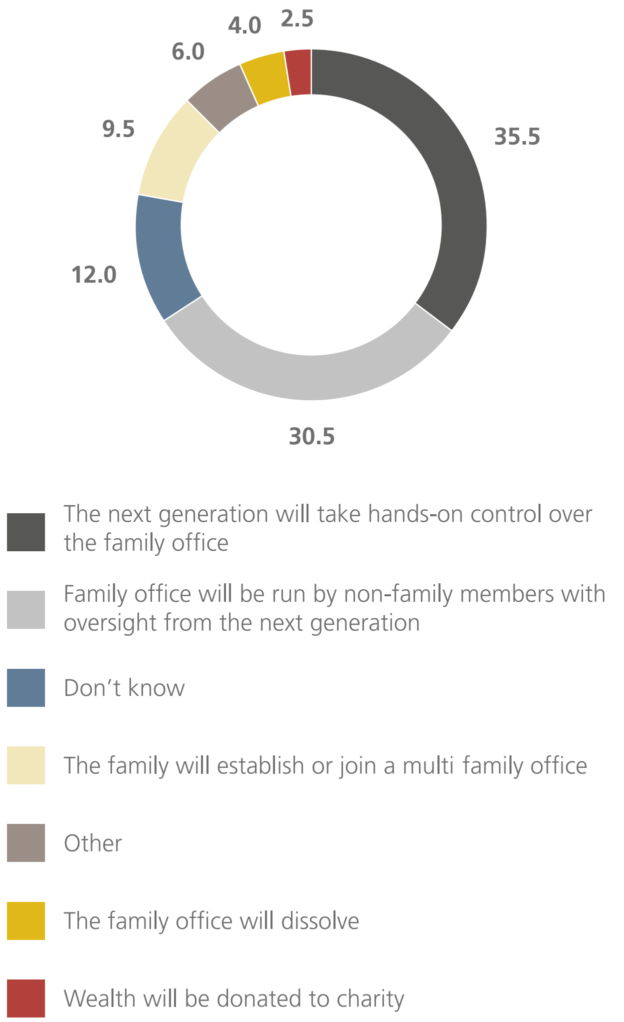


Source: The UBS/Campden Wealth Global Family Office Report 2017

1 IN 3 FAMILY OFFICES EXPECT THE NEXT GENERATION TO TAKE CONTROL

As family offices prepare for a generational shift, 35.5% expect that the next generation will take hands-on control of the family office. A similar proportion (30.5%) anticipate that non-family members will run the family office with oversight from the next generation. On the lower end of the scale, a marginal proportion of wealth holders will either donate their wealth to charity (2.5%) or dissolve the family office all together (4.0%). Twelve percent of the executives surveyed expressed uncertainty about what will happen once the present family members step aside (figure 6.4).

Fig 6.4. Expectations when the current generation steps down
% of family offices



Source: The UBS/Campden Wealth Global Family Office Report 2017

RISK AND RETURN TARGETS ARE EXPECTED TO REMAIN THE SAME AFTER TRANSITION

As each generation takes the reins, changes in investment strategies are inevitable. Roughly 60% of executives expect their return targets and risk strategies to remain largely the same. One-in-two anticipate that their expectations of investment managers and allocations to more liquid strategies will go unchanged, while the same is said of half (49.7%) of executives with regard to their allocations to illiquid investments (figure 6.5).

Impact / environment, social and governance (ESG) investments have become increasingly important to the next generation of wealth holders. In turn, two-fifths (40.4%) of family offices foresee an increase in allocations directed towards impact and ESG investments. These findings further reinforce last year's observation that two-thirds of family offices agree that families with millennials will see additional requests to participate in impact investing. The CEO of a single family office explained in this report: "The third generation, currently in their 20s, has displayed interest in ESG and socially responsible investing. We are currently examining this area as we have not yet established channels for impact investing."

> *"At present, we do not participate in impact investing, but we have witnessed a gradual shift among the younger generations. They care more and more about social impact investing and how we invest."*
>
> Single family office executive, North America

Fig 6.5. The next generation's influence on the family office's investment strategy
% of family offices

	Decrease	Remain the same	Increase	Don't know
Return targets	2.8	61.0	19.9	16.3
Risk	10.7	60.7	13.6	15.0
Allocation to more liquid strategies (e.g. cash, fixed income)	13.5	54.6	13.5	18.4
Investment manager expectations	2.9	53.2	25.9	18.0
Allocation to illiquid investment strategies (e.g. private equity, hedge funds)	8.4	49.7	23.8	18.2
Allocation to impact / environment, social and governance investments	2.1	39.0	40.4	18.4

Source: The UBS/Campden Wealth Global Family Office Report 2017

Note: Due to rounding, totals may not add up to 100%

GREATER NEXT GENERATION INVOLVEMENT

We explored the current level of the next generation's involvement in the family office and we discovered that one-third (34.7%) were not involved at all (figure 6.6).

A third (33.2%) of the executives we surveyed reported some level of next generation involvement (e.g. on a project-by-project basis) (figure 6.6).

A number of other family offices implemented more active approaches. Next generation members either sit on the board (28.6%), have assumed management (23.0%) or executive (19.9%) roles, or have participated in philanthropic activities (19.9%) (figure 6.6). These strategies are perceived to have a positive influence, as 57.9% of the executives who participated in this year's study cited 'work experience in the family office' as one of the key approaches adopted to prepare the next generation for the future (figure 6.7).

Fig 6.6. Next generation's current involvement in the family office
% of family offices, multiple options permitted

	Total SFOs + MFOs
No involvement at all	34.7
Some involvement (e.g. on project-by-project basis)	33.2
Sit on the board	28.6
Management role	23.0
Executive role	19.9
Involved in philanthropy	19.9
N/A – family office has no successors	2.6

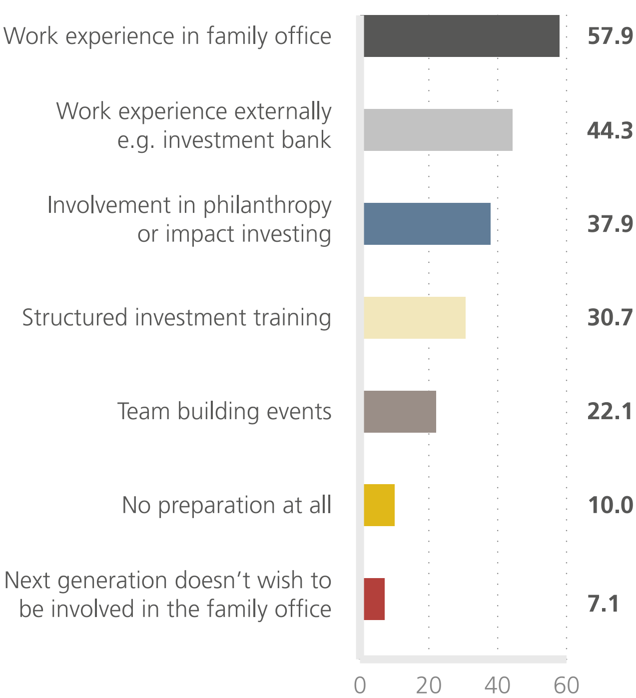
Source: The UBS/Campden Wealth Global Family Office Report 2017

A willing and able next generation goes a long way towards facilitating a smooth generational transfer. A third of executives who participated in last year's research pointed to good preparation of the next generation leaders as one of the key factors that can help to ensure a successful transition. A year on, we find that for many family offices succession planning goes beyond developing an asset management transfer strategy, and delves into developing family members and their business acumen more generally. Some of the successful strategies adopted by family offices to this end include:

- Work experience in the family office
- Work experience externally (e.g. at an investment bank)
- Involvement in philanthropy or impact investing
- Structured investment training

> *"It is important that you get the next generation involved early on. We hold yearly seminars for the next generation covering a range of topics, from governance to investment strategy."*
>
> Multi family office executive, North America

Fig 6.7. Actions taken to prepare the next generation
% of family offices, multiple options permitted



Source: The UBS/Campden Wealth Global Family Office Report 2017

Developing the Next Generation of Wealth Holders

Interview with North American Single Family Office CEO

One of the greatest concerns among families and family office executives involves securing a willing and able next generation of family members to be involved in the management of their families' wealth. We interviewed a second-generation single family office CEO who developed a customised approach, combining institutional and inhouse financial literacy programmes. These programmes currently span three generations and uniquely aim to cater to each age group.

A CUSTOMISED APPROACH

We established the family office in the 1990s, following a successful liquidation event. Not long ago, I started developing a succession plan for the family, but I quickly recognised a lack of financial acumen among family members. This led to a re-think on how we can prepare both the current and next generation.

EDUCATING THE 1ST AND 2ND GENERATION

I developed a wealth management programme three years ago in conjunction with one of the leading universities in the country. The programme is designed to run for three years. The principals and next generation are currently enrolled in the three-year programme. We seek to develop the first and second generation of family members, building their governance and estate planning skills which, in turn, will enable them to make clear and sound judgements. They are learning from other families and can see what a family legacy is and what proper governance is all about.

The first year looked at investments, life insurance, estate planning, etc. The second year was structured around conflict resolution styles and communication. The programme also delves into establishing family values, creating a family constitution and mission statement, philanthropy, and impact investing. The last session will be later this year.

ENGAGING THE 3RD GENERATION

We use both institutional level (university) and inhouse programmes. We are currently doing an inhouse financial literacy programme, whereby we explain financial literacy in different ways depending on the age group of the grandchildren. We gave the grandchildren a sum of money and they had to go out and do whatever they wanted with it. They had to present to us at the next family meeting and explain what they did with the money. After the various presentations we discussed money management; do you spend it or do you save it? If you spend it, you can spend it on a need or a want. And if you save it, you can either invest it short-term or long-term, and that is where the investment philosophy comes in.

The second time around the children got another sum of money and the specification was that they had to invest it, either in themselves, in others, on the stock market or purchase items to sell at a profit. The idea behind this exercise was to assess whether they could identify value. So somebody might say, "This means a lot to me even though it means nothing to somebody else." We explained financial literacy in different ways depending on the age group of the grandchildren.

DIVERSE OUTCOMES ACROSS THE BOARD

Two out of nine grandchildren did not use the money. They did not know what to do with it, and were overwhelmed and afraid. One followed the philanthropic route, a couple went around to banks to see which bank would provide interest on balances and who gives what rate, and three invested in the stock market.

Two grandchildren followed the entrepreneurial route, and one was very successful refurbishing cars for resale with high-profit margins. It was very interesting to see that all the grandchildren followed different approaches. We will soon have a family meeting to analyse the results from the second exercise.

7. Accountability and Risk Management

1. In line with findings reported in previous years, investment risk is ranked as the most important risk factor for family offices. Unsurprisingly, this area receives the highest proportion of internal oversight (83.2%).

2. There is a notable decline in the controls being placed over banking / custodial risk, as evidenced by lower internal oversight (down 7.0%) and a greater reliance on written risk management procedures, policies and guidelines (up 5.2%) among multi-year participants.

> *"We have regained our confidence in banks due to the regulatory policies in place. Our banking risk oversight is relatively lower in comparison to a few years back."*
> Single family office executive, Asia-Pacific

This year we asked family offices to rank the importance of eight risk factors to their organisations / structures. The top three, in descending order, were 'investment risk', followed by 'family data, confidentiality and identity theft', and 'family reputation'. We then asked executives to categorise the strategies they use to mitigate these risks.

INVESTMENT RISKS RANKED MOST SIGNIFICANT

Investment-related risks ranked the single most important risk this year. As a means to combat this risk, family offices employ a range of strategies, with some using more than one approach. While 83.2% of them oversee investment-related risk internally, another fifth (22.2%) use mechanisms of external oversight as a means of protection (figures 7.1 and 7.2).

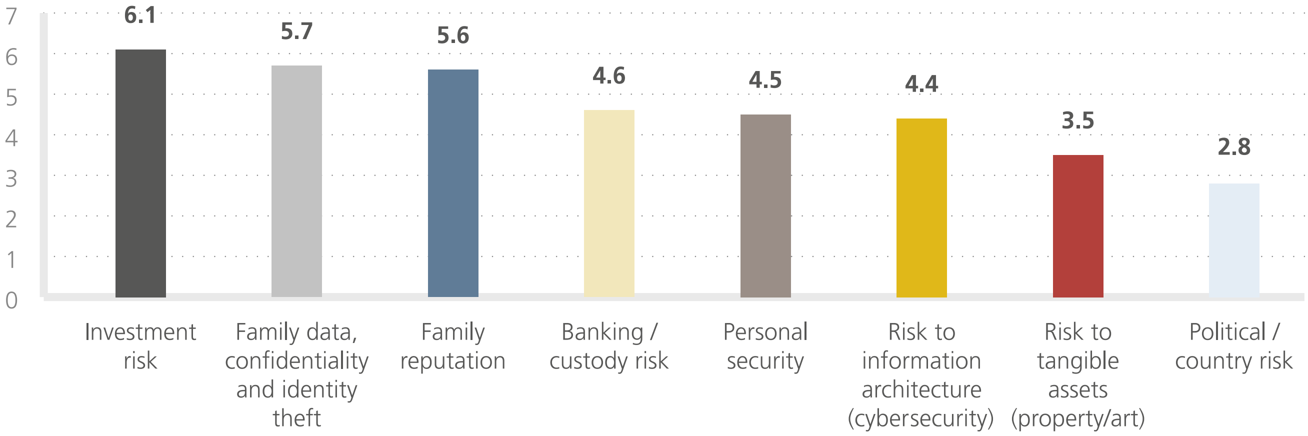
FAMILY REPUTATION – AN INCREASINGLY PROMINENT RISK

Familial risk factors, namely family data, confidentiality and identity theft as well as family reputation, are ranked as the second and third most important risk factors respectively. Roughly three-quarters of the family offices currently maintain internal oversight over these areas. However, one in ten admit that they still do not manage these risks at all (figures 7.1 and 7.2).

Warren Buffett famously said, "it takes twenty years to build a reputation and five minutes to ruin it". These days, with the influence of social media and direct consumer feedback, the smallest issue can have widespread consequences for businesses. For families, the stakes are even higher - they only get one opportunity to build and preserve their good name.

> *"We do not have any formal or informal process to deal with reputational issues, but we should have. A solution could be to make it part of the investment criteria, and say that each investment needs to address and consider reputation."*
> Single family office executive, North America

Fig 7.1. Importance of risk factors
Ranked according to seriousness (average score)



Source: The UBS/Campden Wealth Global Family Office Report 2017

Fig 7.2. Controls for risk factors, by form of management engaged
% of family offices, multiple responses permitted

	None	Internal Oversight	External Oversight
Investment risk	2.4	83.2	22.2
Family data, confidentiality and identity theft	10.8	77.2	16.2
Family reputation	18.6	73.1	6.0
Banking / custody risk	6.0	75.4	22.8
Risk to tangible assets (property/art)	24.0	58.1	20.4
Political / country risk	30.5	53.9	11.4
Risk to information architecture (cybersecurity)	11.4	62.3	35.9
Personal security	35.9	47.3	13.2

Source: The UBS/Campden Wealth Global Family Office Report 2017

GREATER EXTERNAL OVERSIGHT FOR CYBERSECURITY

Risk to information architecture (cyber-attacks) had the highest proportion of external oversight against the rest of the listed risks, with 35.9% also using external resources to manage those threats. As pointed out in last year's report, a cyber-attack on a family office could affect its credibility, and erode its privacy and reputation, as well as have an impact on investments (figures 7.2).

"Like most families, we are pretty sensitive about our data and don't want our information to get out there. Given the amount of hacking that is taking place, IT has certainly become a very important function for us. We do whatever we can to protect ourselves."

Single family office executive, Asia-Pacific

Cybersecurity – Costly Lessons Learnt

Interview with European family office principal

With an ever-increasing prevalence of cyber-attacks, family offices must become more aware of the dangers and how they can occur in order to minimise the risk of becoming a victim.

One family office executive spoke about his experience, having lost a significant amount of money, in the hopes that talking about it will alert others to the danger.

HOW DID THE ATTACK OCCUR?

The cybercriminals impersonated a long-standing business partner of mine, who I have known for over 20 years. It turned out they were monitoring our emails for over 18 months.

My assistant received an email from this business partner asking for $75,000 to help complete a transaction. After my colleague confirmed with me that this would be okay, my assistant received a phone call reiterating that the money needed to be sent through. We then sent the money to the account. Now these types of transactions are not that strange with the relationship that I have with this business partner, so nothing was flagged as suspicious.

I only realised that it was a scam after speaking to the business partner by chance. We were just catching up and I happened to mention that I had managed to send the money across, but he replied, 'What money?'.

WHAT HAVE YOU LEARNT FROM THIS?

Looking back, we believe the attack originated from my business partner's private email account, but that has just made us more aware of where the dangers can come from. It is not just our security we need to be aware of; it is everyone else's as well.

We have also learnt to add more controls. This includes validating communications, double checking and making sure you call the recipient over the phone, not the other way around. We also make sure to monitor our systems closely, and we alerted our systems people and they subsequently put in extra layers of protection.

I am also now more vigilant. For example, I question why a company may be sending me emails and would this actually be sent in an email format or through registered mail? That is a key prevention tactic of mine.

ANY ADVICE FOR OTHER FAMILIES?

Firstly, be aware. That is the greatest defence. Also, make sure not to interlink your system; make sure you have two separate business and personal identities. It is also crucial to improve your knowledge and training in this area, as many of us are not experts in cybersecurity.

Sadly, it is a festering problem that is not going to go away; so we just need to be more aware of the dangers.

8. Social and Environmental Impact

1. Close to 60% of the family offices we surveyed manage families' philanthropic activities or plan to within the next 18 months. Of these, the average family office gave $5.7 million to philanthropy over the last 12 months. Meanwhile, one-quarter (28.3%) of family offices are currently engaged in impact investing.

2. Environmental protection and poverty alleviation are receiving notably more attention from family offices this year. The number of family offices that gave philanthropically to environmental causes climbed from 33.3% to 41.7% between 2016 and 2017, while the proportion that gave to poverty alleviation rose 7.0% to 41.7% in 2016.

3. Over half of the family offices involved in impact investing engage via direct private investment (62.5%) and private equity funds (56.3%), while the most popular sectors to invest in are education, environmental conservation and energy / resource efficiency.

> *" If you want to develop an impact socially, you need to be geared towards a self-sustaining philanthropic project. "*
>
> Single family office executive, North America

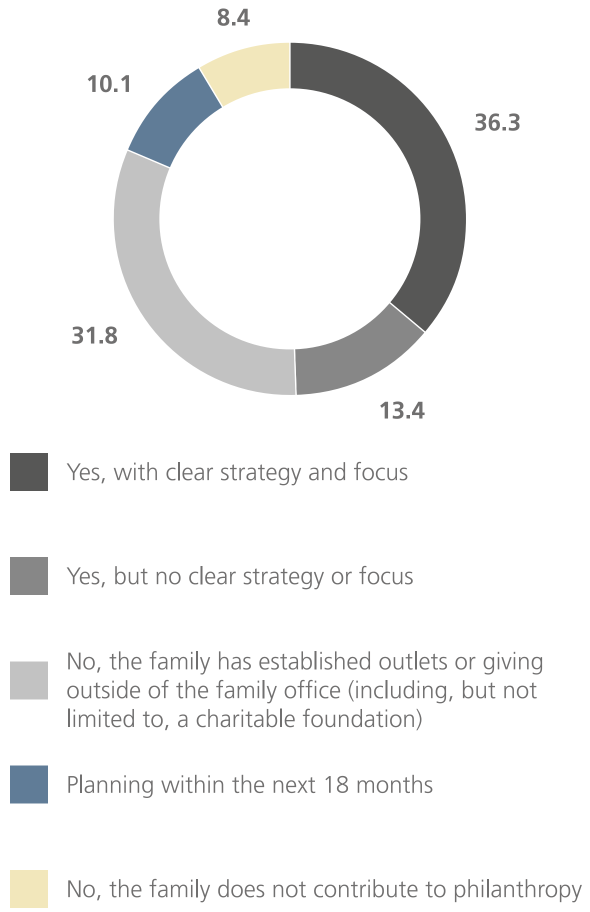
The act of giving funds, time or resources for social good is well established within the family office community. This takes many forms, such as charitable giving, philanthropy, venture philanthropy, impact investing and volunteering time. The majority of the family offices we surveyed are engaged in philanthropy and social and environmental impact endeavours, which beyond the act of nurturing 'social good' in itself, can further help to create cohesion within families.

FAMILY OFFICES HAVE GREATER INVOLVEMENT IN PHILANTHROPY

Through qualitative and quantitative questioning, we explored the various philanthropic approaches adopted by families and their executives. Close to 60% of the family offices we surveyed manage families' philanthropic activities or plan to within the next 18 months. One single family office executive from North America applied a structured approach to the task, which combined internal and external oversight:

> *"About four or five years ago we developed a mission and have since been trained to be increasingly focused and strategic around donations, which is still a work in progress. We recently hired an executive director dedicated to our giving. So we now have a separate foundation that meets quarterly, an executive director, a mission - and we are now working to improve the quality of our granting process."*
>
> Single family office executive, North America

Fig 8.1. Philanthropic engagement
% of family offices



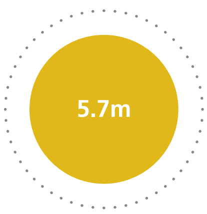
Source: The UBS/Campden Wealth Global Family Office Report 2017

Note: Due to rounding, total may not add up to 100%

On average, family offices gave $5.7 million to philanthropy over the last 12 months. North America gave the most relatively speaking, $8.4 million per family office, followed by Europe, $6.7 million (figure 8.2).

Fig 8.2. Total average family offices gave to philanthropy in the last 12 months
Average in USD

How much did the family office give to philanthropy in the last 12 months?



Source: The UBS/Campden Wealth Global Family Office Report 2017

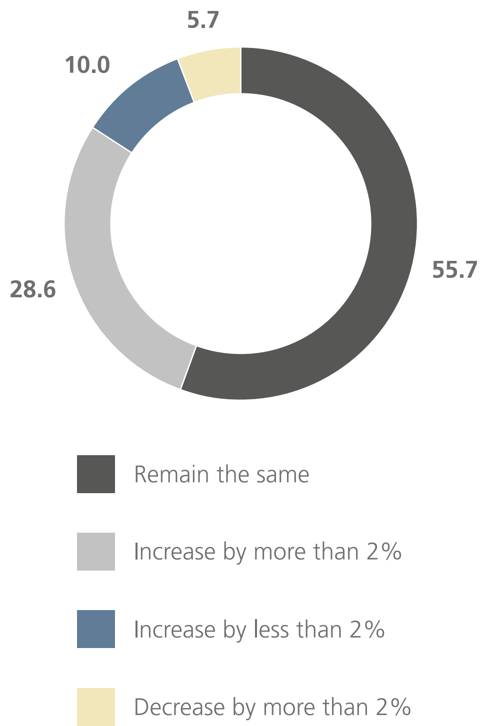
Fig 8.2a. Total average family offices gave to philanthropy in last 12 months, by region
in USD

Average	Europe	North America	APAC	EM
How much did the family office give to philanthropy in the last 12 months?	6.7m	8.4m	0.6m	3.9m

Source: The UBS/Campden Wealth Global Family Office Report 2017

When family office executives were asked about their future philanthropic allocations, 55.7% expected their level of giving to remain the same next year. Meanwhile, close to one-in-three (28.6%) of family office executives reported an intention to increase their giving by more than 2%, whilst 5.7% said that they expect to decrease their giving by the same proportion (figure 8.3).

Fig 8.3. Philanthropy allocation in the next year
% of family offices



Source: The UBS/Campden Wealth Global Family Office Report 2017

POVERTY AND THE ENVIRONMENT ARE INCREASINGLY IMPORTANT CAUSES

Education dominates as the leading cause family offices support through philanthropy, with roughly three-fourths active in this area. However, the number of family offices that support education philanthropically has fallen by 7.5% over the year.

Meanwhile, two causes that gained notably more attention from family offices this year were the environment and poverty alleviation, which is perhaps not surprising in light of the current economic and political climate. The number of family offices that gave to environmental causes jumped 8.4% to 41.7% between 2016 and 2017, while the proportion that gave to poverty alleviation increased 7.0% to 41.7% (figure 8.4).

> *"Everything to do with philanthropy is entirely decided by the family and it has always been that way. We have a long tradition of giving."*
>
> Single family office executive, Asia-Pacific

Fig 8.4. Support for philanthropic causes
% of family offices, multiple responses permitted

	2016	2017
Education	81.3	73.8
Children & youth	58.7	64.3
Health	46.7	47.6
Poverty alleviation	34.7	41.7
Arts & culture	40.0	41.7
Environmental	33.3	41.7
Social enterprise	36.0	39.3
Disaster relief	16.0	20.2
Faith-based giving	12.0	19.0
Gender equality	13.3	8.3

Source: The UBS/Campden Wealth Global Family Office Report 2016; The UBS/Campden Wealth Global Family Office Report 2017

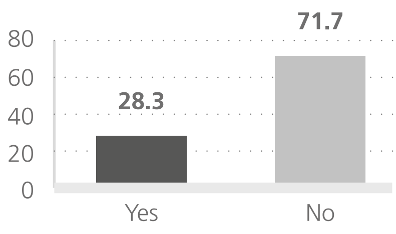
IMPACT INVESTING STILL RELEVANT FOR FAMILY OFFICES

In recent years impact investing – defined as an investment approach that seeks to generate a positive social or environmental impact alongside financial returns – has increased in popularity.

When family offices were asked about their involvement in impact investing, an average of 28.3% claimed to be engaged in it (figure 8.5). However, as we probed further through qualitative interviews, a number of family offices alluded to the fact that most of them did not understand how to implement impact investments, while a separate cohort did not believe in mixing business with philanthropic endeavours. Nonetheless, as millennials strengthen their skill-sets and assume more control over their wealth, we might see family offices' level of involvement in impact investing rise in the future.

> *"We don't currently engage in impact investment. Let's do the best job we can at making money. Then that gives us more money and resources to give, but that may be old thinking. And I suspect that we may look at that a little more over the next few years. The next generation cares more and more about social impact investing and how we invest."*
>
> Single family office executive, North America

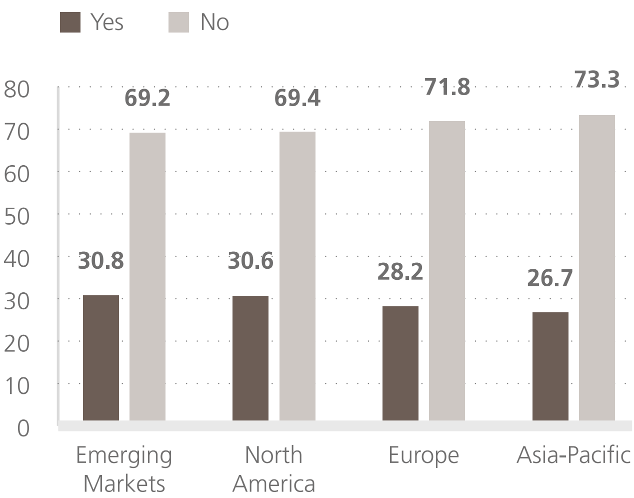
Fig 8.5. Impact investing – involvement
% of family offices



Source: The UBS/Campden Wealth Global Family Office Report 2017

A regional analysis reveals that close to one in three family offices in Emerging Markets and North America appear to have embraced impact investing, compared to just over a quarter of those in Europe and Asia-Pacific (figure 8.6).

Fig 8.6. Impact investing – involvement, by region
% of family offices



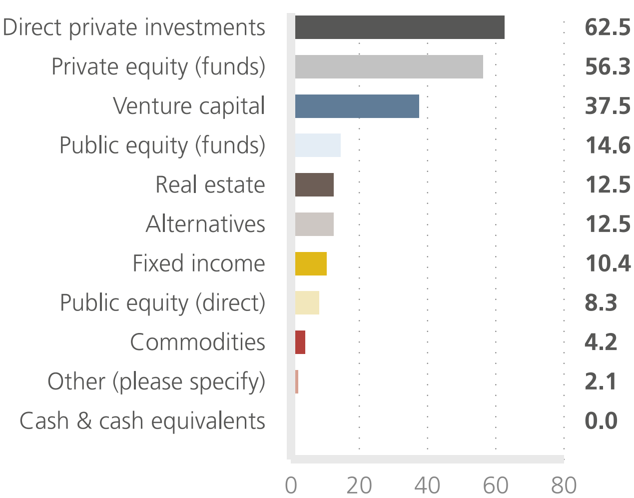
Source: The UBS/Campden Wealth Global Family Office Report 2017

DIRECT PRIVATE INVESTMENTS AND PRIVATE EQUITY ARE THE MOST POPULAR ASSET CLASSES

Family offices' impact investment strategies operate across a wide range of asset classes. When participants were asked to select the top asset classes they operate within, direct private investment (62.5%), private equity (56.3%) and venture capital (37.5%) were the most popular (figure 8.7).

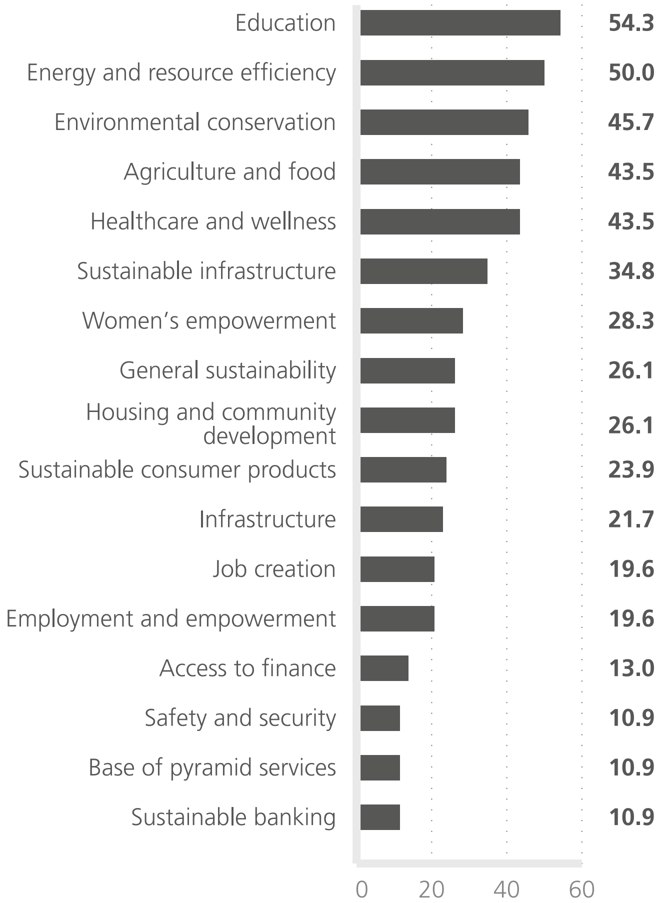
The key sectors that their impact investments are directed towards include: education (54.3%), environmental and resource efficiency (50.0%), environmental conservation (45.7%), agriculture and food (43.5%), and healthcare and wellness (43.5%) (figure 8.8).

Fig 8.7. Impact investment – asset classes
% of family offices, multiple responses permitted



Source: The UBS/Campden Wealth Global Family Office Report 2017

Fig 8.8. Impact investment – sectors
% of family offices, multiple responses permitted



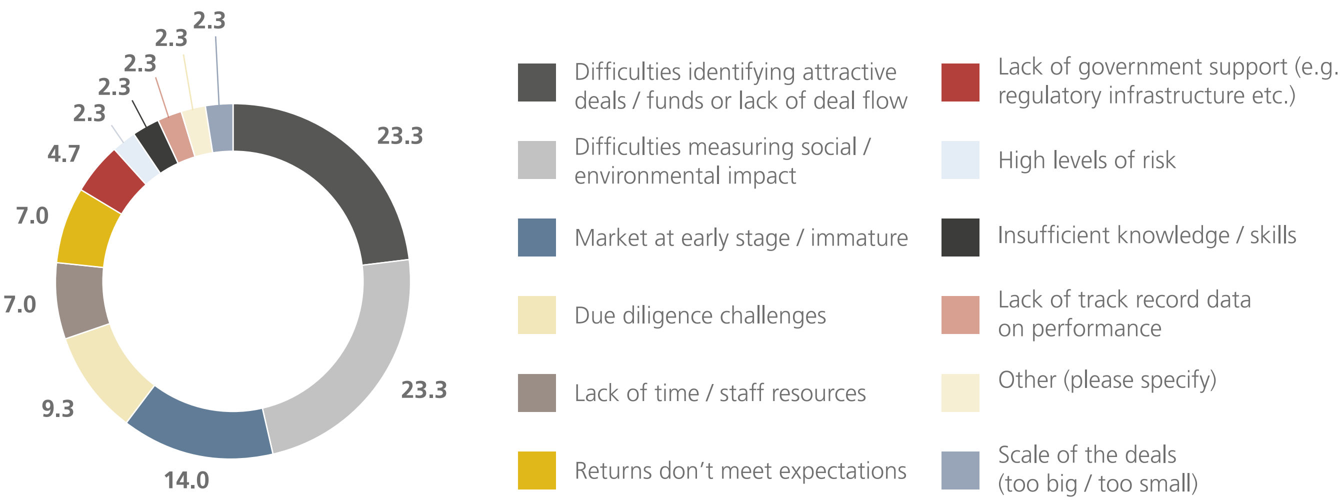
Source: The UBS/Campden Wealth Global Family Office Report 2017

CHALLENGES ARE PRESENT

Our findings reveal that difficulties in identifying attractive deals, a lack of deal flow and challenges associated with measuring social / environmental impact were the key obstacles family offices faced when trying to do impact investing. A smaller proportion of participants also faced issues with due diligence and a belief that the market is still immature (figure 8.9).

> *"The lack of deal flow has resulted in a greater reliance on networks. 90% to 95% of our activities are with other families."*
>
> Multi family office executive, Europe

Fig 8.9. Impact investing - main challenges
% of family offices



Source: The UBS/Campden Wealth Global Family Office Report 2017

Conclusion

Looking forward

- *For families*
- *For executives and advisers*

Looking Forward

The ***Global Family Office report*** provides a wealth of insight into the family office community for the main stakeholders involved – families, executives and providers. In this final section, Campden Wealth identifies some key takeaways for these groups, along with some useful recommendations.

For families

SUCCESSION PLANNING NEEDS PLANNING

Last year, family offices made the development of a succession plan their key governance-related priority, as 69% expected to undergo a generational transition within the next 15 years. Twelve months later, we found that some progress has been achieved within this area, as nearly half (47.3%) of the family offices we surveyed claimed to have some form of a succession plan in place, while one-third (29.6%) stated that they are currently working on developing a plan. However, as over a sixth (16.1%) admitted that they have not started developing their strategies yet, succession planning should remain an area of focus for both families and family offices alike.

BEWARE OF THREATS TO YOUR DATA AND REPUTATION

Amid an increasing awareness of cybersecurity and reputation-related threats, family offices ranked 'family reputation' and 'family data, confidentiality and identity theft' amongst the top risk factors they face. With the increasing prevalence of social media and spread of consumer opinion, families may find it increasingly difficult to protect their privacy and good name. Hence, they may consider taking steps to develop robust cybersecurity and reputation protection plans.

LEVERAGE YOUR NETWORK TO FIND SUCCESSFUL CO-INVESTING PARTNERSHIPS

Co-investing is still on the radar for family offices. However, despite a strong interest reported in previous years, the actual level of allocations dropped among the sample of multi-year participants, from 15.0% of the average private equity portfolio in 2016 to 9.4% this year. This year's research points to a difficulty in finding attractive deals as the key challenge faced by over half (57.4%) of those who seek to co-invest. In turn, 96.9% of those who are co-investing successfully disclosed that they source their deals through personal networks of contacts. Families who wish to co-invest more may consider taking a similar approach and leverage their trusted networks to support their co-investing endeavours.

EXPLORE IMPACT INVESTING AS A WAY TO DO WELL BY "DOING GOOD"

Families looking to expand the strategies by which they achieve social and environmental impact, may consider exploring opportunities within impact investing. Reinforcing results reported in last year's report, we found that over a quarter (28.3%) of family offices are now involved in impact investing. While most impact investments are directed through private investments (62.5%) and private equity funds (56.3%), the research shows that opportunities to make a positive impact and achieve satisfactory returns exist across many other asset classes, including: venture capital (37.5%), public equity funds (14.6%), real estate (12.5%), alternatives (12.5%) and fixed income (10.4%).

CONSIDER THE DIVERSITY OF YOUR FAMILY OFFICE STAFF

This year's report looks at the makeup of family office C-suite positions by gender. Doing so revealed that only 7.7% of the family offices we surveyed had chief executive officers that were female, leaving the remaining nine out of 10 top spots to men. Similarly, only 13.2% of chief investment officer posts were held by women, along with roughly 38% of chief operations officer and chief financial officer posts. With women being a critical component of the wealth community, families may wish to examine the diversity of those being hired.

SUCCESSION PLANNING MAKES PROGRESS, BUT EXECUTIVES CAN STILL DO MORE…

This year's findings reveal that 66.0% of family office executives expect that the next generation will either take hands-on control of the family office in the future or that the family office will be run by non-family members with oversight from the next generation. Therefore, when planning for this transition, family office executives may consider learning about the needs and expectations of the next generation. In fact, the research shows that they may be willing to introduce some changes, with greater allocation to impact / environment, social and governance investments, being just one example.

…CYBERSECURITY AND REPUTATION SHOULD ALSO BECOME THEIR PRIORITIES

In 2016, 15% of family offices experienced a cybersecurity breach. With ever increasing attacks occurring around the world today, family offices must remain vigilant. As the case study included in this year's report demonstrates, cybersecurity issues are likely to endanger data crucial to both families and family offices. Therefore, executives are urged to consider developing robust safety plans, and to put relevant measures in place in order to avoid possible financial and reputation-related damages.

CONSIDER THE DIVERSITY OF YOUR HIRING

This year's research reveals that women are under-represented on the C-suite level, as merely 7.7% of the family offices we surveyed had chief executive officers that were women. In a similar vein, only 13.2% of chief investment officer posts were held by females, along with just over a third of chief operations officer and chief financial officer posts. With women making up a significant proportion of the wealth community, executives might wish to consider the diversity of their staff.

MEANWHILE, ADVISERS CAN HELP FAMILIES MEET CO-INVESTING PARTNERS AND BUILD DUE DILIGENCE CAPABILITIES …

Despite a year-on-year decrease in allocations to co-investing, it still remains an area of great interest to family offices, as almost half (49.3%) claim that they intend to increase their activity in the future. While some family offices have the opportunity to find attractive deals through their personal networks, for others, deal sourcing can be difficult. Almost half (46.8%) also report that due diligence is a challenge for them. Advisers may have a role to play here, as they can help executives to build their due diligence capabilities. They can also introduce families to other solutions, such as fund-to-family co-investing. This year's research shows that over half (52.5%) of the family offices that co-invest do so alongside funds, as they offer access to resources that some family offices may be lacking inhouse.

… AND IDENTIFY MEASUREABLE IMPACT INVESTMENT DEALS

While currently just under a third (28.3%) of the family offices we surveyed are involved in impact investing, research shows that over two-fifths of the executives expect this to increase once the next generation takes the reins. In preparation to meet their needs, advisers may look to help family offices find effective ways to overcome the obstacles that currently prevent families from engaging in impact investing, such as the challenges associated with identifying attractive deals (23.3%) and measuring social and environmental impact (23.3%).

List of Figures

INVESTMENTS

STRUCTURES

PURPOSE

About UBS

UBS provides financial advice and solutions to wealthy, institutional and corporate clients worldwide, as well as private clients in Switzerland. The operational structure of the Group is comprised of our Corporate Center and five business divisions: Wealth Management, Wealth Management Americas, Personal & Corporate Banking, Asset Management and the Investment Bank. UBS's strategy builds on the strengths of all of its businesses and focuses its efforts on areas in which it excels, while seeking to capitalize on the compelling growth prospects in the businesses and regions in which it operates, in order to generate attractive and sustainable returns for its shareholders. All of its businesses are capital-efficient and benefit from a strong competitive position in their targeted markets.

Headquartered in Zurich, Switzerland, UBS has offices in 52 countries, including all major financial centers, and employs approximately 60,000 people. UBS Group AG is the holding company of the UBS Group. Under Swiss company law, UBS Group AG is organized as an Aktiengesellschaft, a corporation that has issued shares of common stock to investors.

WEALTH MANAGEMENT

Wealth Management provides comprehensive advice and financial services to wealthy private clients around the world, with the exception of those served by Wealth Management Americas. UBS is a global firm with global capabilities, and its clients benefit from a full spectrum of resources, including wealth planning, investment management solutions and corporate finance advice, banking and lending solutions, as well as a wide range of specific offerings. Wealth Management's guided architecture model gives clients access to a wide range of products from the world's leading third-party institutions that complement its own products.

GLOBAL FAMILY OFFICE GROUP

A joint venture between UBS's Investment Bank and 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.

GREAT WEALTH

Building on a deep understanding of our clients' mindset, motivations and core values, we create bespoke solutions which are bold, innovative and tailored precisely to their individual needs. The four dimensions of Great Wealth – business, investments, passion, and legacy – form the basis on which we open a dialogue and begin a partnership with our clients across generations for generations, so that great wealth endures.

About Campden Wealth

Campden Wealth is the leading independent provider of information, education and networking for generational family business owners and family offices globally in person, in print, via research and online.

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 and proprietary data and analysis based on primary sources.

Campden Wealth also publishes the leading international business title, CampdenFB, aimed at members of family-owned companies, family offices and private wealth advisers. Campden Wealth further enhanced its international reach and community with the acquisition of the Institute for Private Investors (IPI), the leading membership network of private investors in the United States, founded in 1991 and with the establishment of Campden Family Connect PVT. Ltd., a joint venture with the Patni Family in Mumbai, India in 2015.

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The past performance of an index is not a guarantee of future results. Each index reflects an unmanaged universe of securities without any deduction for advisory fees or other expenses that would reduce actual returns. An actual investment in the securities included in the index would require an investor to incur transaction costs, which would lower the performance results. Indices are not actively managed and investors cannot invest directly in the indices.

Bloomberg Global Investment Grade Corporate Bond Index (BCOR) – The Bloomberg Global Investment Grade Corporate Bond Index is a rules-based market-value-weighted index engineered to measure the investment-grade, fixed rate, global corporate bond market. Eligible denominations include: USD, GBP, CHF, EUR, NOK, SEK, AUD, CAD and JPY. To be included in the index, a security must have a minimum par amount of USD 250 million, GBP 200 million, CHF 100 million, EUR 250 million, NOK 500 million, SEK 500 million, AUD 200 million, CAD 100 million, JPY 20,000 million and have a maturity of greater than 1 year at rebalancing.

Source: Bloomberg

The Bloomberg Emerging Market Local Currency Sovereign Bond Index (BLCSV) – is a rules-based, market-value-weighted index engineered to measure the performance of local currency sovereign debt issued by emerging market countries. The components of the index are the AsiaPac Emerging Market Local Currency Sovereign Bond Index, the EMEA Emerging Market Local Currency Sovereign Bond Index and the LatAm Emerging Market Local Currency Sovereign Bond Index. Qualification as an emerging market country is based on EMWH <GO>. Additional requirements, such as availability of pricing, are also used to determine country eligibility. Historical performance and characteristics are available from January 1, 2010.

Source: Bloomberg

The Bloomberg Global High Yield Corporate Bond Index (BHYC) – is a rules-based market-value-weighted index engineered to measure the below-investment-grade, fixed-rate, global corporate bond market. Eligible denominations include USD, EUR, GBP and CAD. To be included in the index, a security must have a minimum par amount of USD 250 million, EUR 200 million, GBP 200 million or CAD 100 million and have a maturity of greater than 1 year at rebalancing.

Source: Bloomberg

MSCI WORLD INDEX (MXWO) – The MSCI World Index captures large and mid cap representation across 23 Developed Markets (DM) countries*. With 1,652 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country. The index is based on the MSCI Global Investable Indexes (GIMI) Methodology —a comprehensive and consistent approach to index construction that allows for meaningful global views and cross regional comparisons across all market capitalization size, sector and style segments and combinations. This methodology aims to provide exhaustive coverage of the relevant investment opportunity set with a strong emphasis on index liquidity, investability and replicability. The index is reviewed quarterly—in February, May, August and November—with the objective of reflecting change in the underlying equity markets in a timely manner, while limiting undue index turnover. During the May and November semi-annual index reviews, the index is rebalanced and the large and mid capitalization cutoff points are recalculated.

*DM countries include: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, the UK and the US.

Source: msci.com

Cambridge Associates 2016 US PE Indices – The U.S. Private Equity index and benchmark statistics are based on data compiled from more than 1,300 institutional-quality buyout, growth equity, private equity energy, and mezzanine funds formed between 1986 and 2016.

Source: Cambridgeassociates.com

MSCI Emerging Markets Index (MXEF) – The MSCI Emerging Markets Index is a free-float weighted equity index that captures large and mid cap representation across Emerging Markets countries. The index covers approximately 85% of the free float-adjusted market capitalization in each country.

Source: Bloomberg

EPRA index – The FTSE/NAREIT Developed Europe Index, is a market capitalization-weighted Index consisting of the most heavily traded real estate stocks in Europe. It is designed to reflect the stock performance of companies engaged in specific aspects of the European Real Estate Business as perceived by institutional investors.

Source: Bloomberg

DJUSRE index – The DJ US Real Estate Index represents REITS & other companies that invest directly or indirectly in real estate through development, management or ownership, including property agiences. The index is a subset of the Dow Jones U.S. Index, which covers 95% of U.S. securities based on float-adjusted market capitalization.

Source: Bloomberg

HFRXGL Global HF index – The HFRX Global Hedge Fund JPY Index is denominated in JPY and is designed to be representative of the overall composition of the hedge fund universe. It is comprised of all eligible hedge fund strategies; including but not limited to convertible arbitrage, distressed securities, equity hedge, equity market neutral, event driven, macro, merger arbitrage, and relative value arbitrage. The strategies are asset weighted based on the distribution of assets in the hedge fund industry. Hedge Fund Research, Inc. (HFR) utilizes a UCITS compliant methodology to construct the HFRX Hedge Fund Indices. The methodology is based on defined and predetermined rules and objective criteria to select and rebalance components to maximize representation of the Hedge Fund Universe. HFRX Indices utilize state-of-the-art quantitative techniques and analysis; multi-level screening, cluster analysis, Monte-Carlo simulations and optimization techniques ensure that each Index is a pure representation of its corresponding investment focus.

Source: hfrx.com / hedgefundresearch.com

HFRXMMS multi-strat index macro (monthly) – Macro: Multi-Strategy Strategies which employ components of both Discretionary and Systematic Macro strategies, but neither exclusively both. Strategies frequently contain proprietary trading influences, and in some cases contain distinct, identifiable sub-strategies, such as equity hedge or equity market neutral, or in some cases a number of sub-strategies are blended together without the capacity for portfolio level disaggregation. Strategies employ an investment process is predicated on a systematic, quantitative evaluation of macroeconomic variables in which the portfolio positioning is predicated on convergence of differentials between markets, not necessarily highly correlated with each other, but currently diverging from their historical levels of correlation. Strategies focus on fundamental relationships across geographic areas of focus both inter and intra-asset classes, and typical holding periods are longer than trend following or discretionary strategies. Hedge Fund Research, Inc. (HFR) utilizes a UCITSIII compliant methodology to construct the HFRX Hedge Fund Indices. The methodology is based on defined and predetermined rules and objective criteria to select and rebalance components to maximize representation of the Hedge Fund Universe. HFRX Indices utilize state-of-the-art quantitative techniques and analysis; multi-level screening, cluster analysis, Monte-Carlo simulations and optimization techniques ensure that each Index is a pure representation of its corresponding investment focus.

Source: hfrx.com / hedgefundresearch.com

HFRXEH Equity hedged – Equity Hedge: Multi-Strategy Investment Managers maintain positions both long and short in primarily equity and equity derivative securities. A wide variety of investment processes can be employed to arrive at an investment decision, including both quantitative and fundamental techniques; strategies can be broadly diversified or narrowly focused on specific sectors and can range broadly in terms of levels of net exposure, leverage employed, holding period, concentrations of market capitalizations and valuation ranges of typical portfolios. EH Multi-Strategy managers typically do not maintain more than 50% exposure in any one Equity Hedge sub-strategy Hedge Fund Research, Inc. (HFR) utilizes a UCITSIII compliant methodology to construct the HFRX Hedge Fund Indices. The methodology is based on defined and predetermined rules and objective criteria to select and rebalance components to maximize representation of the Hedge Fund Universe. HFRX Indices utilize state-of-the-art quantitative techniques and analysis; multi-level screening, cluster analysis, Monte-Carlo simulations and optimization techniques ensure that each Index is a pure representation of its corresponding investment focus.

Source: hfrx.com / hedgefundresearch.com

FTSE ENXG Index (Bloomberg) – The FTSE EPRA/NAREIT Global REIT Index measures the total return, stated in USD terms, of the size- and liquidity-screened stocks in both developed and emerging markets of the publicly traded real estate companies which qualify for REITS status under the law in the country of domicile.

Source: Bloomberg

CRY Bloomberg commodity – Thomson Reuters Commodity Indices track baskets of commodities to reflect price movements and are recognized as a major barometer of commodity prices and markets. Designed to provide exposure to the global commodities industry, all indices have a strong connection to the Commodity Research Bureau (CRB) name, and many are tracked by Exchange Traded Funds and other derivatives. Comprising a basket of 19 commodities, with 39% allocated to energy contracts, 41% to agriculture, 7% to precious metals and 13% to industrial metals. The Index acts as a representative indicator of today's global commodity markets.

Source: Thomson Reuters

3 months deposit rate – London Interbank Offered Rate – ICE Benchmark Administration Fixing for US Dollar. The rate is an average derived from the quotations provided by the banks determined by the ICE Benchmark. Administarion.
Source: Bloomberg

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