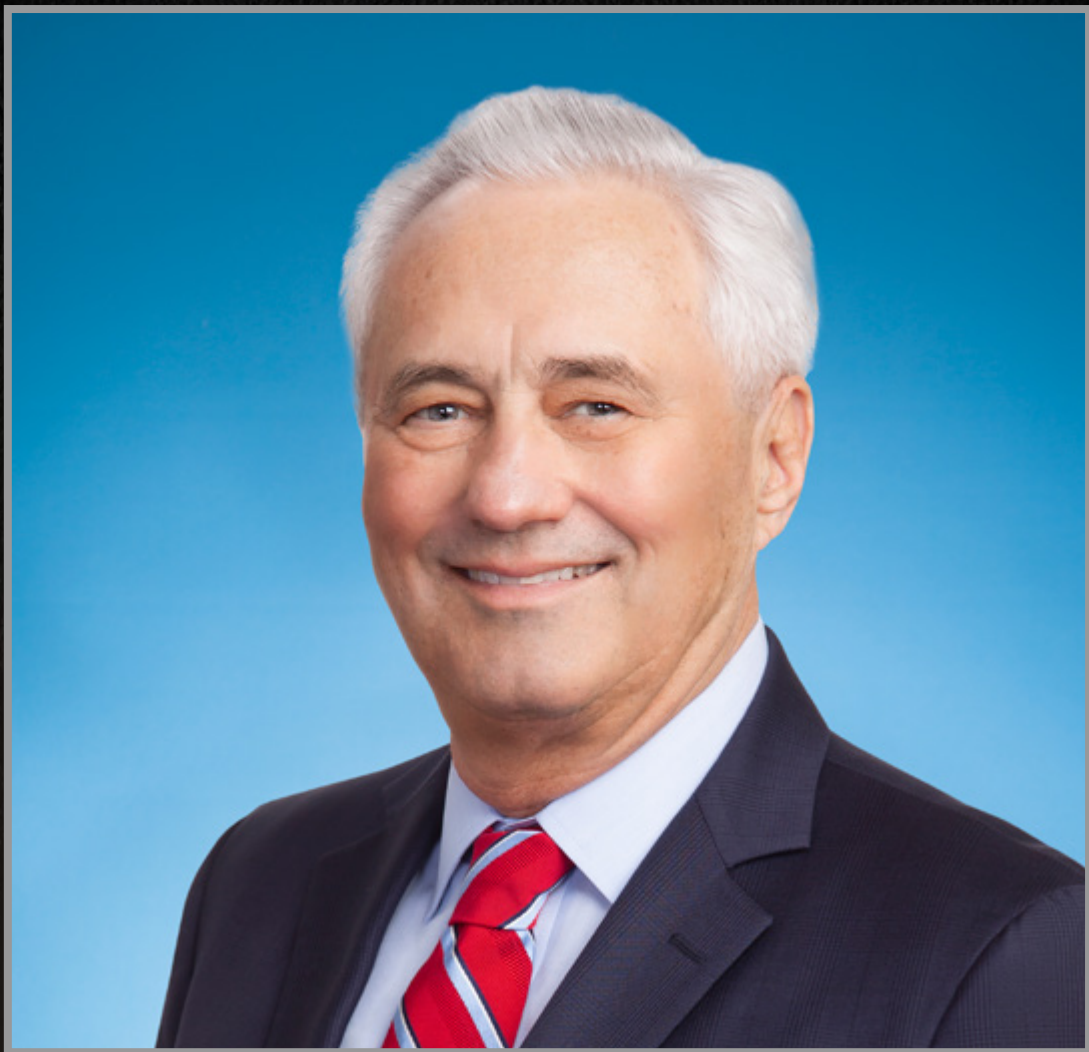


THE BUSINESS OF WEALTH

# FAMILY OFFICE MAGAZINE

WINTER ISSUE 2019

ART & MUSEUM MAGAZINE INCLUDED



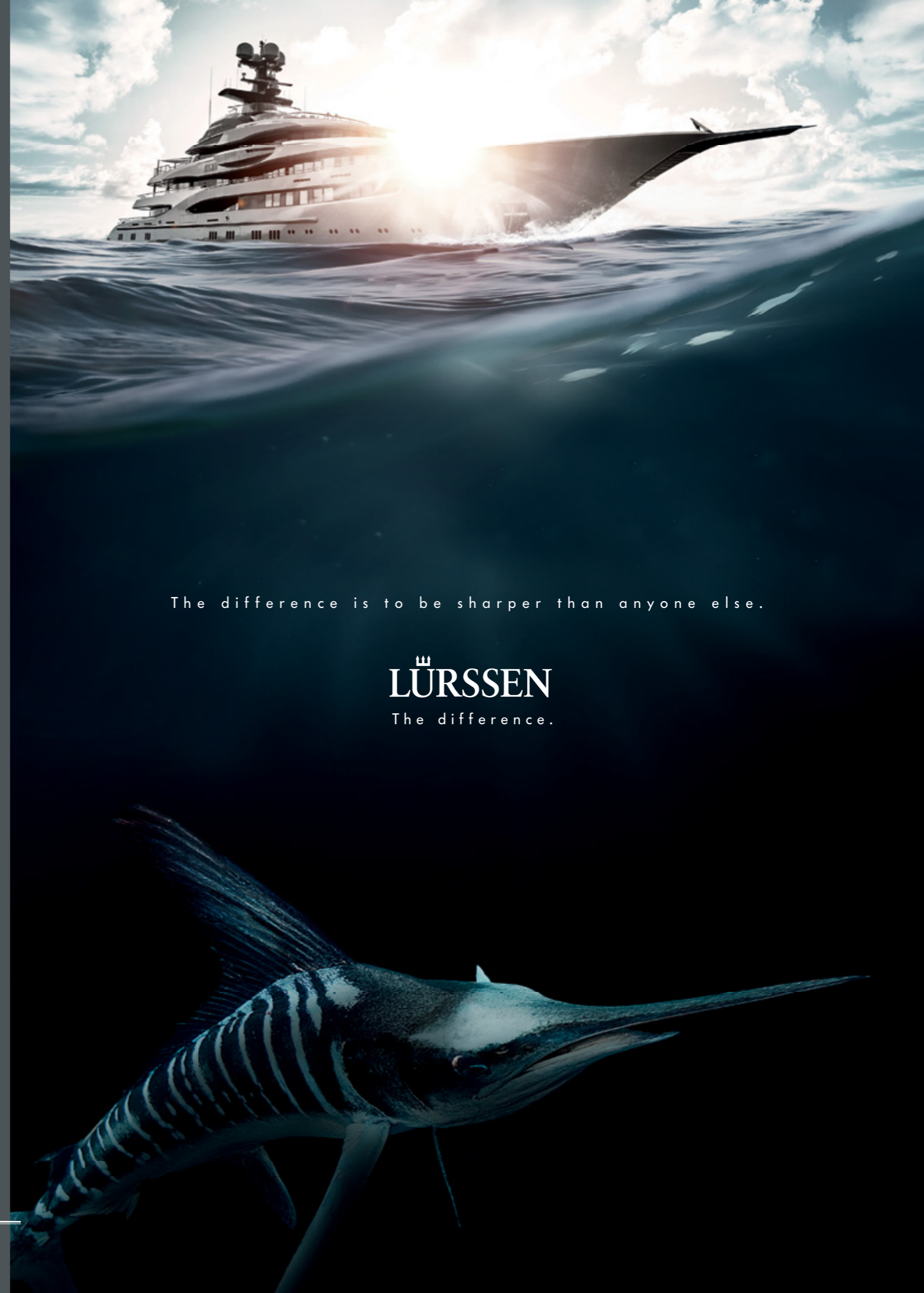
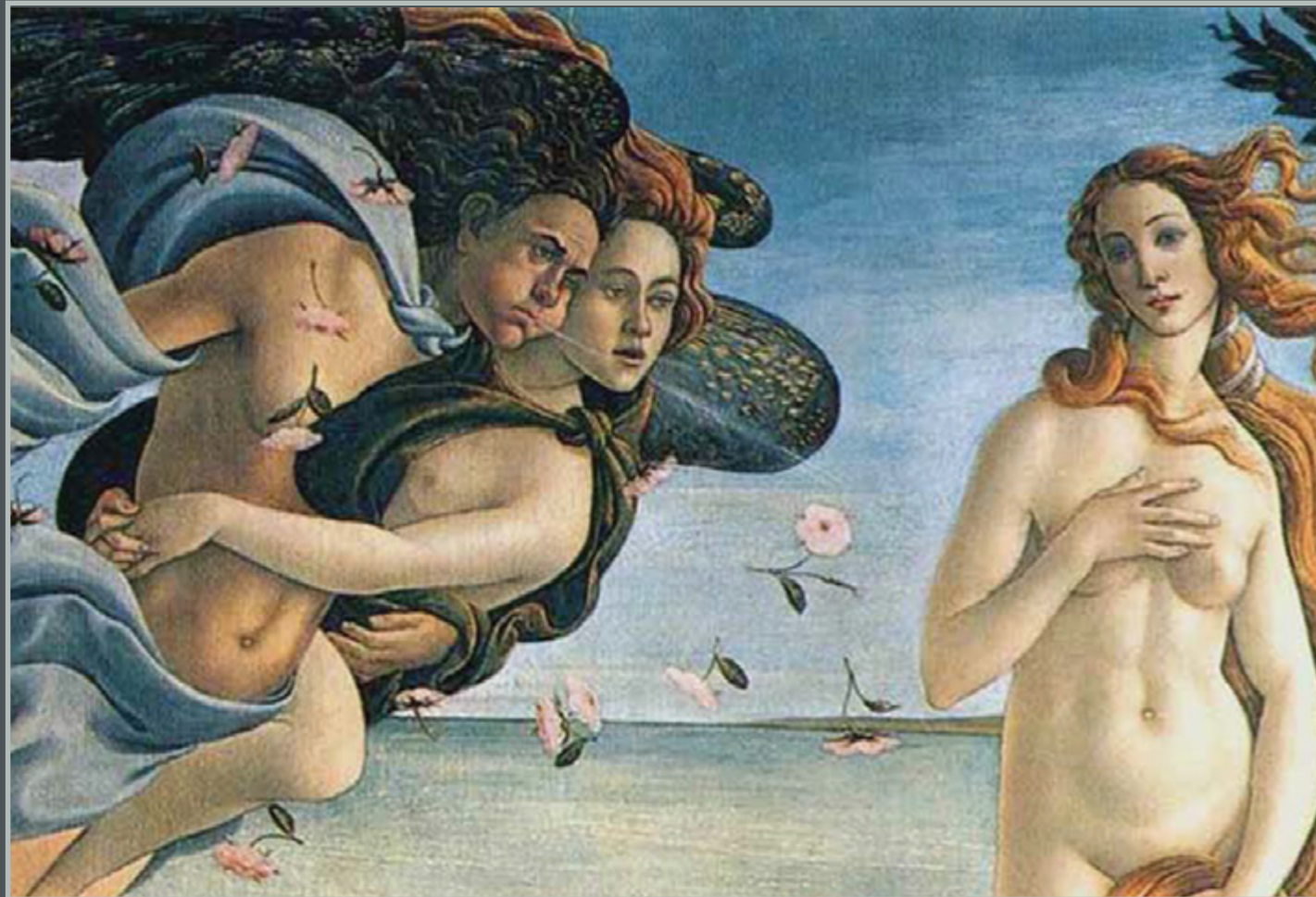
**FRANK CASEY**  
MADOFF WHISTLE BLOWER

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MILLENNIALS &  
GENERATION Z  
PWC  
07

RITOSSA SUMMIT  
DUBAI  
2019  
09

SHANNON  
AIRPORT  
IRELAND  
13

DIGITAL  
DISRUPTION  
FROM EY  
17

RUNNING A FAMILY  
OFFICE IN 2019  
19

BIG DATA...  
IMPLICATIONS FOR  
FAMILY OFFICES

21



ROLLS ROYCE  
RED PHANTOM

37

MONACO YACHT  
SHOW 2019

23

TRUST  
LITIGATION  
IN JERSEY  
25

VALUE IN  
DIGITAL  
CURRENCIES  
27

EXPLORING  
NEW ZEALAND  
CHARTER YACHT  
31

AIM SUMMIT  
DUBAI  
35

COMMERCIAL  
REAL ESTATE 45

LAPLAND  
ICE DRIVING 49

SUPERCAR 51  
ENGINEERING

REPUTATION  
MANAGEMENT 53

INVESTING 55  
SUSTAINABLY

LEGACY  
PLANNING 59

INDIVIDUALS AS  
INSTITUTIONS 69

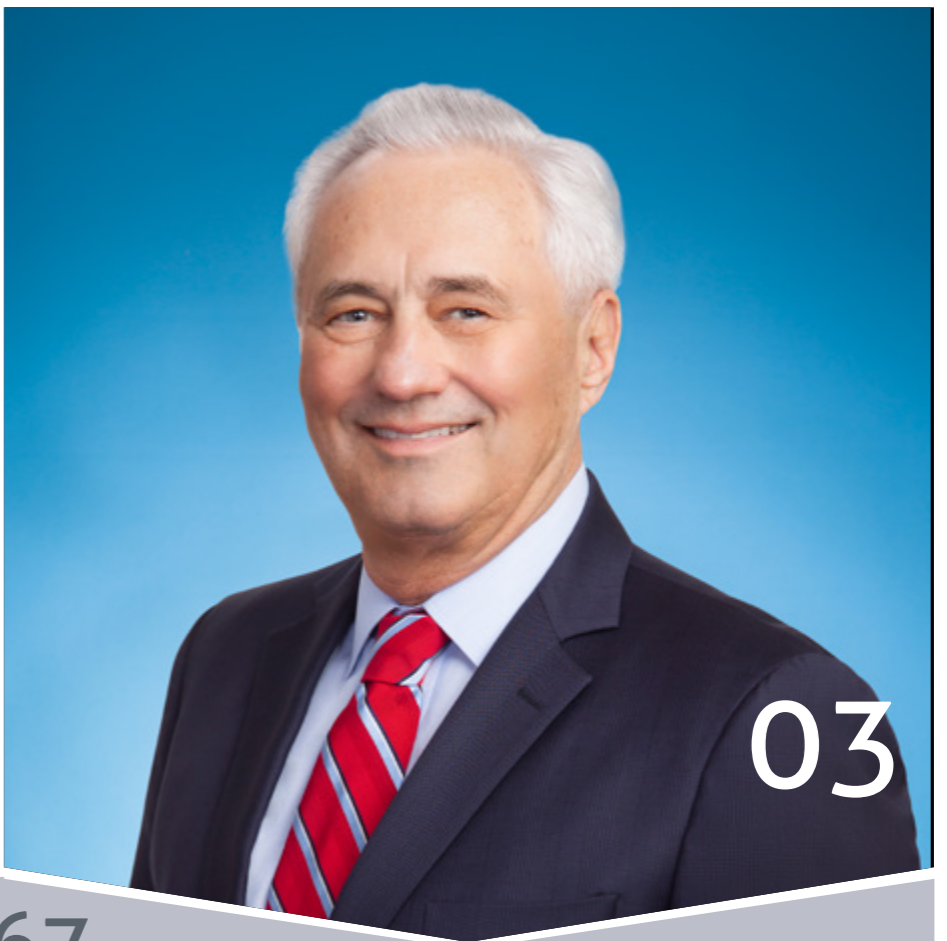
MULTIFAMILY  
INVESTMENT 63

RISK FACING  
FAMILY OFFICES 67

TRAVEL RISK MANAGEMENT 71

JET OWNERSHIP 73

FANK CASEY  
MADOFF WHISTLE BLOWER



03

## MADOFF WHISTLE BLOWER BELIEVES NEED EXISTS FOR TRUST BENEFICIARY ADVOCACY

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

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

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

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



FRANK CASEY  
WHISTLEBLOWER

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- "S" is for strategy. Do investments and

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

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

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

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

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

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

#### The Changing Landscape:

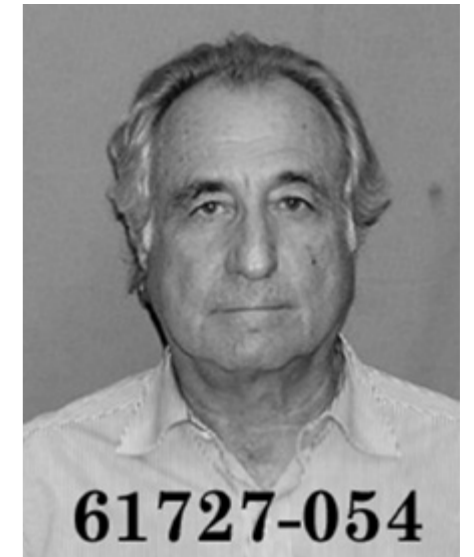
Our family office trust victim believes that offshore trust fund domiciles will be undergoing political pressures to reconfigure themselves due to government anti-money laundering (AML), anti-drug dealing and anti-terrorism Bank Secrecy Act enforcement etc. She says, "I believe that total trust assets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

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

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

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

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



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



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



# MILLENNIALS AND GENERATION Z

## No compromises on Quality and Sustainability

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

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

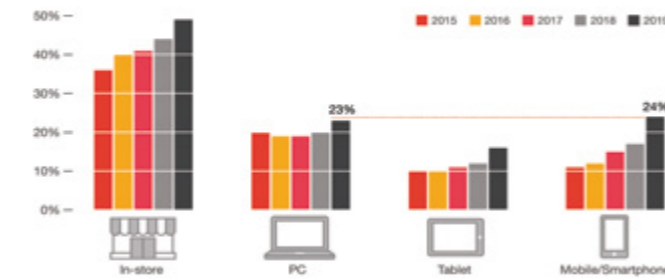
Accordingly, fashion must evolve towards even more challenging needs, because new conscious consumers are not willing to make any compromise! They want to feel represented by the brands they love, they expect their values to be shared and promoted by such brands.

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

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

New consumers interweave the purchasing process

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



© How often do you buy products (e.g., clothes, books, electronics) using the following shopping channel? (excluding groceries) 21,482 respondents (from 27 countries) and weekly shopping. Source: Global Consumer Insights Survey 2019

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

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

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

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

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

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

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

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

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

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

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

Figure 1: Where we did our research



Source: Global Consumer Insights Survey 2019

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

By Erika Andreetta

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

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

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

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

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

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# THE RITOSSA GLOBAL FAMILY OFFICE INVESTMENT SUMMIT DUBAI 2019

Under the High Patronage of His Highness Sheikh Ahmed Al Maktoum



Sir Anthony Ritossa welcomed the presence of our 600+ global leading family offices and ultra-high net worth individuals. These included Royals, Sheikhs, Private Investment Companies and Sovereign Wealth Funds. With a representation of \$4.5 trillion+ in investor wealth, our delegates gathered to discuss "The Rise and Rise of Family Offices." Together they explored global opportunities, succession planning, philanthropy suggestions, and family governance.

Sir Anthony Ritossa also hosted the first summit's private workshop for families from the GCC (Gulf Cooperation Council) and overseas to share their family journeys, and how best to build a winning mindset, entitled "Growing Your Human Capital."

Over 400+ Elite Family Offices, with a total delegation of 600+ Prominent Conglomerate Business Owners, Sheikhs, Royal Families, Private Investment Companies, International Business Moguls, Sovereign Wealth Funds, & industry professionals from across the Middle East and around the globe, are scheduled to attend, representing over \$4 trillion in investor wealth and making it the world's largest and most exclusive gathering of elite family office decision makers, with an investor delegate ratio of 3:1.

"East Meets West" was the theme for the Dubai Summit and was a bridge between Middle East families and their European, U.S., Asian, & Latin American counterparts to meet, network and exchange information and ideas to start the journey of discovery and venturing together between like-minded peers in a safe-harbour environment.

The summit was a private forum exclusively organised by family offices for family offices, ultra-elite private investors, prominent business owners, Sheikhs, Royal family members, financial families and their private offices from around the world.

Sir Anthony Ritossa said, "I believe that, fundamentally, we all want to be the best version of ourselves – within our families, our relationships with others and, ultimately, our wealth. There is a revolution unfolding on the balance sheets of the world's corporations that holds a lesson for families with wealth: The Explosion of Intangible Assets. I am very pleased to have kick-started the first of many similar workshops to come."

The summit brought together the world's leading experts, geared toward identifying actionable strategies for generating returns in a low-rate, high

volatility market. Facilitated by family offices, the summit provided two days of private peer-to-peer conversation, networking and cross-border thought leadership designed to make you think about what to look out for, how you are investing, and why.

The Ritossa series of Summits are the brainchild of Sir Anthony Ritossa, who said, "I am humbled with the presence of our 600+ global leading family offices and ultra-high net worth individuals (Sheikhs, Royals, Private Investment Companies and Sovereign Wealth Funds), representing \$4 trillion+ in investor wealth, gathered to discuss The Rise and Rise of Family Offices; exploring global opportunities, succession planning, philanthropy suggestions, family governance, and preserving human capital." He went on to say, "It's a global gathering for like-minded leaders. Being part of a family office myself, understanding what is essential to families and corporations, and including this in the conference agenda creates a unique environment and ambience. I am grateful for the High Patronage of His Highness Sheikh Ahmed Al Maktoum, as well as our Honorary Board Members and Summit Chairman."

Family Offices are booming and increasingly becoming a disruptive force in the marketplace. The combination of continued global uncertainty, new investment opportunities, and multi-generational wealth preservation sets the scene for sustained growth in the Family Office sector. The biggest have become deal powerhouses, capable of competing with global banks and private-equity firms on significant transactions. Family Offices are the new financial titans.

His Highness Prince Hermann of Leiningen, Royal Bank of Canada, said, "Thank you so much for an absolutely incredible summit. The hotel was first class, the topics were outstanding, and the people in attendance were among the most interesting I have ever met. It really is the best Family Office Conference I have ever attended."

The Ritossa series of summits have a very strict selection process. All applicants are reviewed by the "Summit Advisory Board," and they include some of the most high-profile players within the wealth and

Family Office Space, such as:

- H.R.H. Prince Michel de Yougoslavie, Grandson of King Umberto of Italy and Prince Paul of Yugoslavia, Monaco
- H.H. Sheikh Abdul Aziz Al Khalifa, UAE & Kingdom of Bahrain
- H.H. Sheikha Emanuella Al Khalifa, UAE & Kingdom of Bahrain
- H.E. Sheikh Abdulrhman Abuhaimid, Chairman, Abdulrhman Abuhaimid and Sons Investment Co, Kingdom of Saudi Arabia
- Mohamed Al Ali, CEO & Advisor, Sheikh Ahmed Al Maktoum International Investments Enterprise, UAE
- Adam Ladjadj, CIO, Private Office of H.H. Sheikh Hamdan bin Mohammed Al Nahyan, UAE
- Mehsan Arshad, CIO & Board Member, The Private Office of H.H. Sheikh Theyab Bin Khalifa Bin Hamdan Al Nahyan and MD & CEO Mams Group, UAE
- Faris Al Tahtamooni, Associate Director - Strategic Partnerships, The Office of Sheikh Sultan Bin Abdullah Al Qasimi, UAE
- Giuseppe Ambrosio, President, Monaco Single & Multi-Family Office International Association, Monaco
- Markus Lehner, Principal, Markus Lehner Family Office, Monaco
- Hadi Al Alawi, Chairman & CEO, Al Hayat Group, Kingdom of Bahrain
- Sheila Barry Driscoll, President and Co-Founder, The Billionaire Foundation, USA
- Candice Beaumont, CIO, L Investments Family Office, USA & UAE

Chris Dutton, Founder and CEO, The CEO Magazine said, "Teamwork and intelligence win championships, and I was honoured to be a partner with Sir Anthony Ritossa in Dubai and to celebrate his 10th anniversary under the High Patronage of His Highness Sheikh Ahmed Al Maktoum. Great family office gatherings like the Ritossa Summits begin by building trust. And one of the best ways to do that is to bring together similar-minded thought leaders from all over the world during a two-day summit at the Four Seasons Jumeirah Beach. I congratulate Sir Anthony and his team for being recognised as the world's number one gathering of family wealth."



There were numerous panels, round tables, pitching sessions and keynote speakers giving the attendees the opportunity to network at the highest level. The Summit Chairman was Hussein Sayed, CNBC Arabia Anchor & Chief Market Strategist at FXTM, UAE.

Some of the panels included:

PANEL: Elite Investor Insights for 2019 and beyond, moderated by John D'Agostino. This panel discussed top global investors, taking a look at current Mega Trends, Geopolitical Risks & Economic Challenges for 2019 and beyond, detailing their proprietary views of the global landscape.

PANEL: Artificial Intelligence & Machine Based Learning, moderated by Markus Lehner, discussed the reason why people are so interested in AI & Machine Learning and why people talk about it but very few actually do it is, because it's a paradigm shift compared to how things have been done before.

PANEL: "Great wealth is created by human beings and destroyed by human beings," moderated by Vera Boissier. With the biggest threat to family enterprises being the behavioural risks of humans, the panel discussed "Safe Space, Governance in Action" as a tool for effective negotiations within family dynamics. Where does behavioural risk get in the way of negotiating, and more importantly, how does creating

a Safe Space ensure a more effective and efficient Governance structure within the family and enterprise?

PANEL: Due Diligence in Fine Art was moderated by Ty Murphy. The panel discussed the requirements of "Due Diligence in Fine Art Transactions" and the AML and KYC process, checklists and red flags for fine art transactions.

PANEL: The World's Most Powerful & Influential Women in Family Offices and Foundations was moderated by Vanessa Eriksson. Panel members included H.R.H. Princess Léa of Belgium, Dr. Joanna Rubinstein, President and CEO, World Childhood Foundation of Her Majesty Queen Silvia of Sweden, Commissioner of the UN Broadband Commission, USA, Shanu SP Hinduja, Chair, Hinduja Bank, Switzerland and Dame Sheila B. Driscoll, Founder, Sheila B. Driscoll Foundation, USA.

PANEL: Spotlight on the UAE & GCC, moderated by Hussein Sayed. This exclusive session provides the audience with meaningful insights and a deep dive into the UAE & GCC investment landscape. Exclusive Keynote.

Fireside Chat & Thought Leadership Insights: with His Excellency Marwan Jassim Al Sarkal, the Executive Chairman, Sharjah Investment and Development Authority (Shurooq), UAE.

PANEL: Session: An Ultra Exclusive Look Inside Our "Culture of Excellence," moderated by Francesco. What can the "World's Most High Performance Team" teach our family businesses about a "Winning Culture?" A look at the importance of developing the individual.

PANEL: "Buckle Your Seat Belt?" What Options do Families have for insurance against market volatility? Moderated by Prof. Emilio Escartin. The end of 2019 saw a return of significant volatility. Experts, forecasters, commentators & researchers predict the next five years will bring more volatility and unpredictability.

PANEL: Blockchain & Business - Delivering Real World Benefits. Moderator: Sid Ahmed Benraouane, Digital Transformation Strategy Advisor to MENA Governments, UAE & USA.

PANEL: Spotlight on Co-Investment Opportunities Some of the savviest families amongst us have made tremendous multi-generational wealth from cherry picking the best off market co-investment deals. The panel was moderated by Mario Kozma, Investment Manager, Tyrus Capital, Monac.

Keynote Panel Session: "The Eternal Flame inside Our Families & the DNA of Success." Moderator: Hussein Sayed, CNBC Arabia Anchor. Leading Family Offices

share their inside stories of how their businesses started, grew and evolved into major powerhouses.

Panel: Philanthropy, Impact & Social Responsible Investment Opportunities, moderated by Giuseppe Ambrosio. With the growing interest from families, the panel discussed the nuances of this space and heard directly from some top international thought leaders.

Closing Keynote Panel: The Exclusive Closing Keynote Panel Session was moderated by Ricky Husaini, Co-Founder, BuyBack Bazaar, UAE. The panel saw the Top International Family Offices Share Their Best Secret Proprietary Investment Ideas. During this ultra-exclusive closing session, the Dubai Summit ended with a deep dive into some of the greatest investment minds who shared their portfolio and investment secrets.

What is next on the agenda for the Ritossa Summits? Sir Anthony Ritossa will embrace his 11th Global Family Office Investment Summit in Riyadh, March 23-25, 2020, excited with Saudi Arabia's new economic direction; diversifying its economy away from oil and applauding its growing private sector.

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# SHANNON AIRPORT



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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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



# THE 7

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# DIGITAL DISRUPTION IS CREATING BETTER TOOLS FOR FAMILY OFFICES

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

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

## Reporting systems improve decision-making

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

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

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



Jon Carroll  
Ernst & Young LLP

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

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

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

## Robotic process automation and artificial intelligence make the impossible possible

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

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

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

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

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

## Fighting the good fight against cybercrime

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

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

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

## Conclusion

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

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# FAMILY OFFICE

by Joseph Signorile



## RUNNING A FAMILY OFFICE IN 2019

If there is one thing common amongst the Family Office industry, it is that nothing is common. Every family, every place, has a unique structure and environment. COO's go to great pains to try to analyse what the standard market approach or practice is for many offices, only to find it is a completely bespoke approach determined by the needs of each individual family. That leaves many professionals asking... "What is the correct approach?". It is a hard question to answer, but I believe that the best approach is to analyse the common areas of structure and planning that are needed and then scrutinise the family's unique situation to determine the best course of action. It is important to not be influenced because the family next door does it differently. These offices are not like running long/short Hedge Funds.

Let us look at the most important areas to identify starting with the internal mechanisms of the Family

Office as well as the best way to connect with these businesses.

First it's best to identify what a Family Office truly means from a compliance and legal perspective. It's clearly defined by the SEC (Securities and Exchange Commission) under rule 202 as an entity established by wealthy families to manage their wealth and provide other services to family members such as tax and estate planning services. These family entities are excluded from the Advisers Act regulations if it provides investment advice only to "family clients" (as defined) and does not hold itself out to the public as an investment advisor. This exemption brings to light the issue of not involving the family in managing any assets of outside clients.

Having a basic understanding of what a Family Office means, our next step is to understand better how

to find and be introduced to the Family Office world. Generally, the Family Office world is a very private community and as such introductions are very difficult. Most personnel involved in the Family Offices are highly knowledgeable and very experienced.

Finding experts and qualified personnel to work with are best accomplished by referral from other professionals in the area, those having previous experience with the family or other experts being utilized by the family as well as referrals from trusted peers. Unsolicited advances are generally not the best choice in the Family Office business.

Now that we have a basic understanding of the Family Office and how to become involved within the community it becomes important to understand how these firms operate internally. Understanding the family's culture and generational make up is extremely important.

This will point to the type of communication and reporting that is necessary. Is the family a single / young generation or is the family multi-generational with assets were earned by others many years ago? This analysis will vastly affect the type of professional COO needed at the firm and how best to approach the development of communication and infrastructure.

Next let us look at how to best formalize the operations. Is there a desire or need for committees and large staffing or a flatter structure and lean staffing profile? This will be defined by the age and generation that the family represents as well as understanding the future goals for the family.

It is imperative to explore whether the software system can achieve the family goals or if it needs to be replaced and upgraded (assuming a system is in existence)? There is a wide variety of complexity in systems to choose from and many different approaches. Yes, some of the older generations will not appreciate the automation as much as the direct touch style of approach.

How to structure the family operations cannot be overestimated as this will ultimately lead to how well all the downstream systems will work, whether the family is estate and tax efficient, and how much back office is needed to support a simple or complex structure.

Before a full staff can be built out, a COO must be put in place. In doing so, you must decide what the best qualifications for your COO should be.

Staffing is frequently the most complex job for any COO. This will be established having considered the needs that include asking how necessary is it to have internal tax specialists?

How about internal trading capabilities, IT professionals, etc.? Also consider what services can be effectively outsourced. Beyond that, choosing the right people to do business with will be important. In considering your staffing you should also consider how involved the family members will be in the investment and/or operational business functions.

Having identified an approach to analyze the Family Office structure, what are the best qualifications for the COO who will be making these decisions? The COO should be the primary advisor to the family and develop a close relationship possible based on trust.

The COO should show the ability to lead the team, the staff and facilitating a good culture is of the utmost importance. Skill sets such as a sound understanding of tax, strong accounting skills, balanced temperament, good social skills and the ability to help determine long term goals and strategies is critical.

No COO can function well without an understanding of all the external service providers and their relationship needs not without strong connections in these markets to make the best connections for the family. Additionally, as in any investment manager context, CPA's, CFA's, and a Master's Degree are always a benefit along with a deep level of tenure in the field.

Putting these items together will create a Family Office with a customized efficient structure with a clear focus on the future direction of the family whilst being led by a thoughtful and qualified COO.

*Article by Joseph Signorile, Chief Operating Officer, CPA, MS, Founder of Our Peer Group ("OPG") An industry think tank for COO and CFO professionals in the Hedge Fund and Family office industry.*

[www.ourpeergroup.com](http://www.ourpeergroup.com)

# BIG DATA, BIG DATA, BIG DATA... IMPLICATIONS FOR FAMILY OFFICES

In Family Office's Autumn 2019 edition, an article on "Big Data" explored how Global 2000 and Fortune 500 corporations are exponentially compressing the time they take to formulate and launch new businesses and the subsequent opportunities for family offices around the world. At the same time, family offices can directly harness big data to generate bespoke, qualified deal flow in order to de-risk investing. The opportunities here will continue to increase as the amount of world's total financial global capital expands to swell past \$900 trillion. The number of potential investors will carry on growing faster than the number of qualified, high-quality deals that are available.

Why is this? It's due to the fact that the hard-to-scale components on the deal-flow side are the humans who have the right skills and capabilities to generate new business concepts, translate concepts into actual businesses and to evaluate investment opportunities. Data-driven techniques are now being harnessed to enhance human decision making to address these bottlenecks and to greatly enhance the quality and scale of global deal flow. These same techniques can be used to generate data-driven programs that allow family offices to "personalize" their deal flow, the same way medicine is being transformed into a new field of "personalized medicine."



*Computer and human intelligence combine disparate technologies in real time to help tackle pressing socioeconomic problems—such as poor sleep contributing to the onset of Alzheimer's Disease*

What does this mean for family offices? It now means that they can proactively customize their deal flow in advance based on personalized preferences. Do you need to close a deal now or in five years? Do you want to invest in Africa or in Europe? In advanced materials or advanced manufacturing? Maximize financial return or impact investing? Global or local? Customization can be based on risk tolerance, time horizon, investment style, future goals, investment theses or any number of parameters preferred by the investor. Do you need to put money to work before the year end? All of these scenarios can easily be accommodated.

Family offices are now able to customize deal flow based on their individual investment theses. Instead of waiting and hoping that the desired deal materializes through the pipeline and then actually becomes available for participation, why not custom order your deal in advance? This is similar to mass customization of products occurring in many industrial sectors including advanced-manufacturing and retail, the ability to customize and pre-order your prospective deal in advance.

But timing will continue to bedevil the supply and demand of investing. Plans can go awry and conditions change even before the ink is dry on the final report. And many times, there is a mismatch in timing between

the participants. Investment opportunities tend to be "melting ice cubes." Nevertheless, data-driven techniques can help alleviate these risks too.

First, data-driven techniques can enhance human thinking to compress decision-making, before the ice cube melts. Computers excel at crunching billions of data points and vast amounts of data, but they have no human intuition. On the other hand, most humans have difficulty remembering number strings longer than their phone numbers, but have human intuition. Combining both computer and human intelligence allows family offices to compress, and thus, de-risk investment decision making.

Second, why count on one prospect when you can order up several other prospective and qualified candidates for the deal? This makes your investment practices redundant and resilient, by not just customizing and pre-ordering one deal in advance, but by making a market with several options. This provides choice and leverage to family offices. This is especially crucial as global capital swells past \$900 trillion and more and more investors are chasing the same deals that are qualified and of high-quality.

But the most powerful impact of combining the best of computer and human decision making is that it illuminates not just the "known unknowns" but also the "unknown unknowns." The invention of combining two lenses with a tube to magnify human vision was originally pitched to military commanders during Europe's Eighty Year's War as a way to gain military advantage over one's adversaries by addressing the "known unknown." That is, I know my adversary has troops in the field five hundred meters away, but I don't know how many troops there are. The initial name for the invention of integrating the lens in a tube was the "military spyglass" to assess one's "known unknowns" on the battlefield.

Not until Galileo pointed the spyglass to the heavens in 1609 and discovered the "unknown unknowns" of moons circling the planet Jupiter, was the military spyglass transformed into the telescope revealing countless natural phenomena, previously hidden from human sight. These revelations helped transform the practice of science and subsequently, rippled, profoundly across all areas of human thought,

institutions and human relationships. Similarly, no one anticipated the consequences of the 19th century Industrial Revolution either. Over four hundred years after Galileo's discovery of Jupiter's moons, the combination of computer and human decision making provides the same paradigm-shifting opportunity to reveal "unknown unknowns" that will revolutionize both the process and the impact of investments made by family offices.

What "unknown unknowns" will be revealed? By definition, we don't know or else they would be "known unknowns." No one anticipated the far-reaching impact that machine learning and artificial intelligence would have on other industry verticals after it jumped outside the early domains where it was being applied, computational biology for instance. These were the "unknown unknowns" that rippled across societies, industries, companies, professions and jobs, destroying some like manual factory work and truck driving whilst enabling others like data science.

As we get closer to commercialization of quantum computing and as we proceed deeper into the Fourth Industrial Revolution, both more and more "known unknowns" will be solved and "unknown unknowns" revealed. Family offices that combine the best of computer and human decision making, that employ mass customization techniques, and that proactively customize their deal flow will be ahead of the game and of their investor peers.

In doing so, they take advantage of this unique period in time, akin to the Renaissance or the first Industrial Revolution, to generate and amplify generational wealth. Family fortunes were made, increased, and lost during socio-economic pivots in the past. These tended to be times of great crisis. The Japanese word for "crisis" is "kiki" with the first "ki" meaning danger, and the second "ki" meaning opportunity. We are now entering another such paradigm shift.

Since 2016, TDP, an international investment advisory firm has been probabilistically predicting and following the opportunities of the investment landscape, helping Global 2000 Corporations and family offices navigate this passage.



# Monaco Yacht Show 2019

The water sparkled, the glasses clinked, and the bubbles effervesced

by Pandora Mather-Lees

The water sparkled, the glasses clinked, and the bubbles effervesced... Monaco Yacht Show 2019 again seemed to come and go in a flash of anticipation, intense activity and aftermath. Hard work, networking and partying prevailed as the pontoons heaved under the crowds. In its 29th year, 125 spectacular superyachts represented €27m value so that prospective owners and charterers had ample choice from first-rate vessels, meaning that viewing, touring and evaluating the options was certainly no hardship.

Yachts on show in Monaco this year featured a range of sizes, with 75m being the average length, so the latest technology, design and interior styling is inevitably showcased, not to mention the latest gadgets on the bridge or toys in the garage. The largest vessel on display creating a furor was the 111m M/Y Tis sporting an outrageously opulent interior by Winch Design, and also one of the fastest vessels making a lot of noise at the show for its technology, at 77m was Feadship's unpronounceable 2019 'SYZYGY 818,' with interior designed by Sinot Yacht Design and exterior by Jarkko Jämsen.

21 vessels were in the popular 60+ category. KK SUPERYACHTS announced a new listing to its charter fleet with the 66-metre M/Y Luna B. Tastefully rebuilt, this elegant vessel exhibited a blend of the best of modern and classical traditions, using the latest technology and hi-tech features alongside exquisite workmanship. The neat and streamlined hull belied the spacious, stylish interior. Monaco-based Boutsen Design created an updated interior furnishing programme, both tasteful and restrained, interesting and refreshing, echoing the original design by Alberto Pinto. The lounge and dining saloon, cabin suites, bathrooms and lounge decks, including the obligatory swimming pool,

plus a swish cinema room, offered Luna B the comfort and refinement of a luxurious floating villa. Of course, all yachts require the well-equipped tender garage and beach club, and this was no exception.

Moving from the Quai Chicane to Pontoon Jules Soccac and a yacht of similar size, Turkish builder Alia Yachts' flagship, M/Y Samurai was every bit reflecting its Japanese owner with a truly unique interior, showcasing some spectacular Asian art, including encased vintage Kimono tastefully lit above the stairway. Like the most exquisite Asian fusion dinner, this vessel combined layers of subtle tones and textures in a modern interior programme articulated with traditional antiquities and bursts of green and red. Samurai has a minimalist feel despite the many objects displayed throughout the lobbies and cabins, its soft shades contrasting with the white marble of the en-suite areas. Built in 2016, with interior by Redman Whitely Dixon, the yacht is in pristine condition and sets itself above many vessels by priding itself in superior crew quarters and bridge, ensuring a high quality feel and finish throughout.

But the yacht show is not all about the yachts. It is supported by numerous exhibitors presenting a range of services from cool destinations, builders and designers, brokers, management, charters, tenders and various crew and yacht associations. This not only brings the industry together, it is also important for owners and their representatives looking to procure the best for their boats. Moreover, gatherings such as the burgeoning Young Professionals in Yachting breakfast, hosted by insurers Only Yacht, industry parties such as Lurssen's, Hill Dickinson superyacht law firm's annual Thursday cocktail and the vibrant Parvis Piscine, with its luxury stands overflowing with wine and canapes gatherings, all added to the buzz and excitement of this

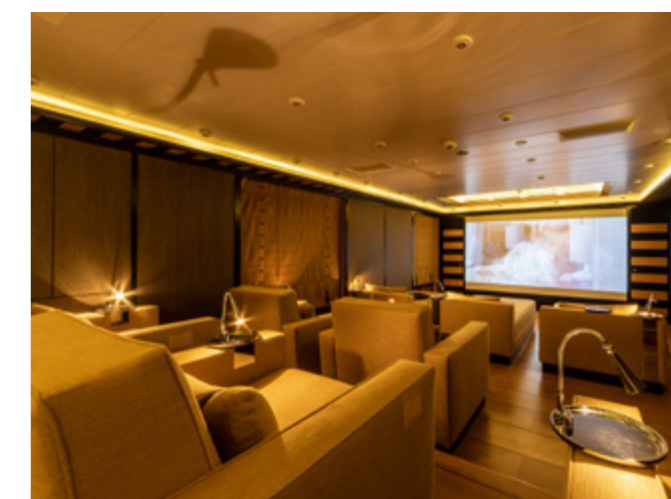


4-day extravaganza. The Parvis Piscine always shows off the best in prestige interiors for superyacht interiors, from luxury fittings, furnishings and finishing's to fine art. This year, it featured a celebratory signing event of a crystal sculpture fashioned by Andrew Winch on the Crystal Caviar chandelier stand. Andrew Winch has been in superyacht design for many years and collaborated with Artsio Gallery, which supports northern Bohemian artists working in this media, and indeed, a number of superyacht industry pioneers have collaborated with Artsio Gallery to produce unique signed pieces in the past few years.

On the subject of art and yachting, visitor Don Christiansen of the Chelsea Art Group, which supplies high end pieces to luxury yacht owners, sponsored an exhibition at the yacht club de Monaco. He comments, "Monaco Yacht Show is the gathering each year that brings out the finest of the Superyacht trade. These yachts are now floating homes where owners and their families spend quality time together. Where art on a Yacht may seem counterintuitive, it has actually become a unique niche business by itself. This year, Chelsea Art Group was invited to work with Boat International Magazine on their very hot Friday party at the Monaco Yacht club. We chose to bring large scale photographs by Damion Berger, who combines the city he resides in and to focus on his yacht work. These photographs are night open shutter photographs reflecting the lights of Super Yachts in Monaco Harbour

revolving on their anchors, so amply fitting for the yacht show. We enhanced the overall party atmosphere while connecting the yachting life to the party attendees.

In summary, the show is still the most prestigious for the superyacht industry in Europe and beyond. This is a 'must attend' for Europeans and is popular with yachting professionals and owners around the world. MYS continues to make improvements, for instance optimising the layout into thematic zones to provide more fluid circulation around the quays and tents, which allows visitors to concentrate on their own sectors of interest, and it is looking to consolidate the foot flow whilst the number and size of yachts on show increases. With the largest vessel this year being 110m, we look forward to seeing whether this will be surpassed in 2020.



# THE CHANGING FACE OF TRUST LITIGATION IN JERSEY

By James Sheedy

In recent years, the Royal Court of Jersey has been wrestling with issues arising from trusts settled in the 1970s and 1980s. In one case the dispute involved the court taking jurisdiction over a trust initially governed by Jersey law which was purportedly migrated to Panama and the subsequent removal of the trustees.

There appeared to be no trust accounts prepared for some thirty years. In the dispute the trustee had adopted the strange position that the trust had been a sham all along. In another dispute, very substantial trust assets had been distributed to the wrong person and the trustee was ordered to reconstitute the fund. Claims against trustees based on 'loans' advanced by trustees to family members which have never been properly documented or enforced are not uncommon.

What many of these cases have in common is generational change. Conflict often arises when there is a dysfunctional family relationship between the original wealth creator and the next generation. Something these disputes also have in common is the impression that the trusts had been run on the basis of what in reality was little more than a banking relationship between the trustee and the settlor.

A 'changing of the guard' from the original wealth creator to the next generation can be a rude awakening for trustees. Structures and relationships that have been run in a particular way for a long time may suddenly be subject to an uncomfortable degree of scrutiny. What might have seemed a good idea at the time when a trustee was asked to loan funds to a second wife may not look so good when the beneficiary children of the first marriage demand to know where the trust fund has gone. That grandfather's favourite sports team won the FA Cup as a result of the players purchased following "distributions" from the trust may not convince the next generation that the trust's

investment policy was prudent.

For many international families trusts are an important part of the succession management 'toolkit'. However having settled a trust for the purposes of smoothing succession, it is often an irony that there has been a near total failure to properly prepare and implement a plan as to how to run the structure when the generational change inevitably occurs. Litigation involving the trust may then become a proxy through which dysfunctional sibling or inter-generational rivalries are fought out. There is much to be said for frank expectation management at the right time.

Generational change may not give rise to a dispute from dissatisfaction with the way the trustee has run the trust in the past but how it should be run in the future. This is not an uncommon scenario where the wealth at the heart of the structure is a family business. Trustees can be caught in the cross fire between different factions in the next generation seeking to put into effect rival interpretations as to what the settlor "would have wanted" and how they expect the trustee should put that into effect.

Increasingly courts are seeing disputes that involve the next generation having different values to the one that came before and wishing to incorporate those values into how the trust is administered. Recent years have seen a spate of court applications concerning the position of beneficiaries with non-traditional lifestyles and the position of step, surrogate, adopted and illegitimate children as beneficiaries. A recent Jersey case involved the proper interpretation of a trust document. The settlor had made manuscript changes to the text at the last minute which had the effect of making the descendants of the settlor's second wife 'excluded persons'. Litigation between branches of the family to settle what the settlor really intended had to be resolved by the Court of Appeal.

Quite apart from internal issues concerning the way trusts are administered, the increasing sophistication of offshore trust structures, for the purposes of 'asset protection' using protectors and reserved powers to settlors may expose the trust to risk of external attack if the degree of control given to the wealth creator means the trust is not perceived to be real.

## Capacity

Generational change may be forced upon a structure, not by the settlor's death but by incapacity. A failure of capacity may be sudden (such as an unexpected stroke) or it may be degenerative (such as dementia). Even in an age of interconnectedness, the physical distance involved in administering an offshore trust may make it practically difficult for trustees to assess or even be aware of an issue concerning the capacity of someone connected to the trust.

Trustees will be familiar with walking the line between having due regard to the settlor's and beneficiaries' wishes and preserving its own discretion in decision making. What happens when the settlor's or beneficiaries' capacity starts to fail? If the decline in capacity is a gradual one, at what point should the

trustee properly stop having regard to those wishes? Might the settlor or beneficiary have lucid intervals? Are trustee's aware that incapacity for one purpose is not incapacity for all purposes? How does a trustee satisfy itself that the wishes expressed by the settlor are actually their wishes? Might a child or spouse be seeking to (or have already) interposed themselves between the incapacitated person and the trustee to 'filter', 'assist' or 'help interpret' the communications with the trustee? These are questions that have obvious practical consequences far beyond the immediate issues of fact, which will be familiar to those familiar with the 'Golden rule' in relation to wills.

A more acute problem can arise where powers concerning the trust have been reserved to a person whose capacity begins to fail. Having co-decision making between a trustee a person who lacks or has questionable capacity has the potential to paralyse the administration of the trust.

Article by James Sheedy, English barrister and Jersey Advocate at Baker & Partners. James is also author of 'Litigating Trust Disputes in Jersey: Law, Procedure & Remedies'.

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# FINDING THE VALUE IN DIGITAL CURRENCIES

by Paul Cliffe, CEO of Block Venture Project



As bitcoin enters its 11th year, regulators around the world have started to deal with the dawn of cryptocurrencies and their potential to threaten financial stability. However, we are also seeing some, such as the UK's Financial Conduct Authority, consider digital currencies to hold no intrinsic value. Paul Cliffe looks to see if there is any value in these new forms of digital assets and whether any investment opportunities lie within the crypto economy.

The FCA's latest guidance was exactly as suspected – 'utility' and 'exchange' tokens falling outside of the Regulated Activities order, whilst those who have issued 'security' tokens without due deference to existing rules may well feel the full force of regulation raining down on them in the near future. However, there

is an underlying sense from regulators worldwide that they consider bitcoin (and other digital assets) to hold no 'intrinsic value.' Although I disagree with this view, I can see how such an opinion is founded.

Sitting at a desk in the City of London, visiting a café chain for lunch and taking the tube or an Uber back home, it's hard to imagine a world where those governing you may block your bank account so that you can't pay for your journey or your BLT and bottle of water. It's difficult to imagine that your government could be on the verge of collapse or that your national armed forces are protecting administrative buildings from being burnt to the ground by angry protesters.

It is a sign of living in a steady nation state and a

sign of its healthy economy that you don't have to bundle bank notes into a wheelbarrow and run to your nearest market to pay for the ingredients to make your lunch.

Even more so when a wheelbarrow is still worth less than the notes that it carries.

But there are those who aren't so fortunate to live in such relative comfort. Places such as Venezuela, Hong Kong, Zimbabwe, and Bolivia have seen their currencies crumble in value to the point of worthlessness in recent years – for the citizens of such nations, Bitcoin has become a de facto 'currency of last resort.'

Taking on this mantle is where the true value of bitcoin and other cryptocurrencies lies. We may not see a need for it whilst we live in comfort, but currencies that are immutable, pseudonymous and censorship resistant do hold a place in this world, and to the people for whom they are a necessity, their true value can be priceless.

We live in a time where geopolitical risk is not only an everyday consideration for investors, it is also a threat that should be hedged against. The 'Blackrock geopolitical risk global index' hit its highest level since the Eurozone crisis this year on the back of US-China trade tensions, the risk of European fragmentation and tensions in the Gulf.

I believe that the characteristics and the true demand for bitcoin and other 'exchange tokens' act as both a non-correlated investment when compared with traditional assets and a hedge against an ever degrading geopolitical climate.

**Opportunities in digital assets in 2020**  
As we move into 2020, there is much to look forward to in the digital asset arena. Bitcoin's reward for miners is due to halve, potentially creating an upward pressure on the price of supposedly 'institutional grade' coins (ones with no history to potentially tarnish them).

Ethereum plans to move from a 'proof of work' to a 'proof of stake' infrastructure, which may cause a greater velocity of tokens which aren't used to stake a claim on the network.

We also see speculative opportunities in the race for 'Blockchain 2.0' as projects aiming to create a better and more efficient form of decentralised network and infrastructure develop to widespread utilisation. Given the returns that were on offer the last time an infrastructure project created a foundation for new opportunities, we see this to be where outsized returns over the medium to long term will exist for investors.

Furthermore, China has recently announced a change of tact regarding blockchain, essentially confirming the most populous nation on Earth effectively 'open for business' on blockchain. Although there may be an important distinction to be drawn between digital assets and blockchain, we still see some projects developing in China as potential winners from this policy U-turn.

Although it is clear that the ICO experiment – in which many blockchain and tech based start-ups raised overly generous sums for questionable projects – clearly failed (as most non-regulated investment markets do), there are still digital assets that have become fundamentally sound investments. There are some comparisons to be drawn with the 'dotcom' bubble regarding both the success rates and the ostensible failures that we have from the 2017-18 digital asset bubble.

Of course, it is worth noting that the risks associated with digital assets need to be understood and evaluated before a decision to allocate one's portfolio accordingly. Should you need advice on such matters, we are available to help you find your way through the veritable labyrinth that is obtaining risk managed exposure to digital assets.

Written by: Paul Cliffe, CEO, Block Venture Project – digital asset investment management and advice for institutions, family offices and UHNW individuals.



# GLOBAL CAPITAL MARKETS' NEW DEAL MAKERS: HOW MULTI-FAMILY OFFICES ARE EVOLVING INTO MERCHANT BANK POWERHOUSES

By Thomas G.C. Gerginis, President & CEO of The Family Merchant Bank based in Toronto, Canada

We have been witnessing a major disruption in the global capital markets which will have a powerful impact on both the allocation and the influence of global capital. Multi family offices have been increasingly demanding the following: Proprietary capital markets solutions; Proprietary investment platforms of third-party alternative investments; and Proprietary "legacy" investment platforms. As a result, multi family offices are evolving to becoming merchant banks. This evolution from being "deal takers" to "deal makers" will have a powerful impact on global capital markets.

## Proprietary Capital Markets Solutions:

Because of their level of wealth, these families are constantly presented with a plethora of private investment deal opportunities. Oftentimes, these investment opportunities are outside of the client families' respective areas of expertise (as well as outside the level and depth of expertise of their lawyers, accountants, tax advisors and their investment advisors who advise them on publicly traded securities). A lack of their own internal merchant bankers makes it difficult for most families to properly and thoroughly assess the merits of a presented investment opportunity.

Furthermore, clients of wealth are tired of accepting other peoples' deals with terms, fees and prices already set. They want to be able to invest directly in private equity deals sourced around the world and to invest alongside with other "smart" money and not just be restricted and dependent upon the pre-packaged offerings from an investment banker's "call list".

Clients of wealth want to evolve from being a "deal taker" to be a "deal maker". These clients of wealth want to participate actively -- along with their dedicated merchant banking/portfolio management team -- in originating/structuring/investing/monitoring & exiting private equity investments on their own terms.

Lastly, these families often require "customized" alternative investment vehicles designed and structured specifically for their family's investment needs. They want their own dedicated merchant banking/portfolio management team that is not beholden to one institutional firm. Rather, they want this team to

have both the sophisticated expertise and the global network in which to be able to design and manufacture a "customized" investment solution to meet their specific needs.

Therefore, these families are demanding their own internal merchant banking/portfolio management professionals who can: (i) Advise the family on the viability of private equity investment opportunities presented to them; (ii) Proactively originate, structure and create new direct private equity investment opportunities; and (iii) Design and structure "bespoke" investment vehicles specifically for the client's investment needs.

Proprietary Investment Platform of Third Party "Best in Breed" Global Private Equity Funds & Alternative Investment Vehicles:

Families of wealth recognize the importance in having non - correlated third party global private equity funds and alternative investment opportunities. They want a dedicated team of merchant bankers/portfolio managers to possess: (i) Expertise and experience in conducting rigorous due diligence on third party alternative portfolio managers; (ii) Depth in originating "cutting edge" investment ideas; and (iii) Access to a broad and deep global network of leading investment banks, hedge funds, single family offices and multi family offices.

## Proprietary "Legacy" Investment Platforms:

Families of wealth are faced with the following questions: (i) Will the family's underlying operating companies (that have manifested tremendous wealth for the previous generations and the current generations) be sustainable to supply a flow of wealth to the next generations? and (ii) What does the family need to build and invest in order to create the family's next operating company or platform? With the goal of legacy wealth transference to future generations, these families are not depending on their existing operating companies to continue to provide them and future generations with wealth in perpetuity. They are using their own internal merchant bankers/portfolio managers to invest directly and actively in operating businesses in high growth/

globally scalable sectors with the intent to ensure future wealth for the next generations.

## Conclusion:

So, there is a new "deal maker" in global capital markets -- the multi family office/merchant bank. This new market participant will have a powerful impact on both the allocation and the influence of global capital: Global Talent Demand: Those enterprising multi family offices, that strategically intend to become merchant banks, will now fortify their existing family office firms (currently consisting of top tier wealth management professionals) with highly experienced, top tier capital markets' professionals. Global capital markets' professionals will be drawn to work within multi family office/merchant banks so that they can design and manufacture "cutting edge" investment ideas as well as be able to co-invest with the principals and the client families.

Asset Aggregation/Investment Deal Origination & Concentration: Those family offices -- who wish to benefit from a merchant banking platform but do not wish to become a merchant bank -- will enter in strategic relationships with those multi family offices that have a strong merchant banking platform. This will lead to

a tremendous aggregation of assets and concentration of investment deal origination concentrated amongst highly sophisticated multi family offices/merchant banks. Entrepreneurs -- looking to raise significant capital for their business initiatives -- will first approach these new "deal makers" as they possess both the breadth of capital along with sophisticated investment savvy and thereby be able to quickly deploy and invest significant capital in conjunction with providing creative and innovative financing solutions.

Global Distribution Networks: These new "deal makers" will be part of an integrated global distribution alliance of single and multi family offices who also share a similar "merchant banking" focus. This channel will serve as cost-effective, time-efficient means in raising and investing significant capital. Multi family offices/merchant banks -- who are participants in this network -- will be privy to "first look" advantage of seeing and investing in investment opportunities (sourced by the other multi family office/merchant banks in the network) before other market participants see them.

The result: We are witnessing the evolution of multi family offices from a "deal taker" to a "deal maker".

# Asia's Largest Mining Investment Forum

Mines and Money Asia is the region's largest mining investment forum, bringing together investors and miners to Hong Kong from 31 March - 1 April 2020, for two days of networking, learning, and deal-making.

It's the only place to gain access to more than 500 leading investors and with networking from breakfast right through to evening drinks.

You'll find conversations and new opportunities waiting for you at every turn, with a showcase of more than 100 mining projects from around the globe and across the commodity spectrum.

Running alongside your extensive networking schedule, the two day conference program features over 100 leading mining, investment and finance experts with sessions discussing the commodity outlook in 2020, how mining companies can work with Chinese investors, and how miners can speed up the process of taking a mine from exploration through to production to start delivering bottom-line profits sooner.

Investors and miners attend Mines and Money Asia and leave with new connections, deals, and business opportunities.

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## EXPLORING NEW ZEALAND ON LUXURY CHARTER YACHT SEA BREEZE III

New Zealand has been booming as a modern holiday destination following the success of the Lord of the Rings films, which brought the country's staggering wild beauty into the spotlight. It's a paradise for wildlife watchers, hikers, adrenaline seekers and watersports lovers, and now it is possible to choose your own adventure by water aboard luxury super yachts, such as the newly refurbished classic luxury charter yacht SEA BREEZE III.

One of the biggest draws to New Zealand in recent years has been the America's Cup and the preceding Millennium Cup races, with the first three-day event commencing on the 29th of January 2020. Outdoor activities and the unique birdlife are two more reasons why New Zealand is so popular with groups of all ages, and the Hauraki Gulf, where the regattas will take place, is filled with amazing islands that have status as nature reserves and regional parks. Snorkel and scuba dive in the shallows at Goat Island, the incredible reefs at Waiheke Island or the breathtaking wall dives

and caverns at the Mokohinau Islands. Whales and dolphins frequently swim through the area, and the curious fish take their time to swim away, unafraid of humans within the protected waters.

The Poor Knights Islands to the north are one of the world's most prestigious dive spots; however, for those who want nothing more than a tropical sandy beach, the northern peninsula delivers in abundance. Walk the endless soft sands at Pakiri Regional Park, or the white sand beaches up at Great Exhibition Bay.

Elsewhere, Napier along the southeast coast was restored in beautiful art deco style after an earthquake in 1931, and if you're running low on wine on board, then there are choice vineyards in the area for a day of wine tasting amongst some of New Zealand's oldest wineries.

On the western coast opposite Auckland are the beautiful and dramatic black sand beaches of Piha,

while a cruise down the western coast will take guests past the imposing sight of Mount Taranaki, where visitors can stop and ski if there is still snow on the slopes. Kapiti Island is a wildlife sanctuary and breeding ground for two of New Zealand's five kiwi species. It also has some excellent snorkeling and scuba dive sites, including kelp meadows, caves and walls.

For a change from the dining settings aboard SEA BREEZE III, Wellington has an award-winning selection to accompany an evening of nighttime entertainments. The capital is also the next best place to Auckland for shopping opportunities, with arts galleries, museums and other cultural attractions throughout its streets.

Farther south, the Abel Tasman area is home to sea turtles, and there is one uninhabited island after another for partying under the stars in complete privacy. The Marlborough area has a large selection of vineyards for more wine tasting or a day hiking and biking through scenic countryside, and far to the south is the Fiordland National Park, home to the iconic Milford Sound. A trip to Stewart Island offers the chance for paddle boarding and kayaking in the shallows before a day of exploring on foot to see the famous kiwi, inquisitive kaka and flighty fantails.

For bird watching, sunbathing and water sports truly away from the crowds, make use of the long-distance possibilities of SEA BREEZE III to reach Chatham Island,



About the beautiful SEA BREEZE III Built in 1976, her timeless wood-paneled interiors provide the perfect ambiance for a special occasion, while still enjoying all the modern day comforts. Watch the America's Cup or Millennium Cup from Auckland's Viaduct harbour and host up to 60 guests on board during the regattas...or keep the treat to yourselves and four other family members as you sail from the northern tropics to the misty southern sounds.

There are five different entertainment areas on board for large events, or even for variety from day-to-day: The main salon and skylounge give the adults and kids alike the chance to spend time on their own interests, and the foredeck has a spectacular sunbathing area, with a large Jacuzzi as its centrepiece.

The master suite and two twin cabins all have ensuite facilities finished in high quality marble, air conditioning and TV entertainment for a sumptuous place to unwind after a fun-filled day that may or may not involve the 10-foot tall floating unicorn 'bar.' The array of water toys on board is designed for all activity levels and includes towable toys, paddleboards, kayaks, snorkeling equipment and fishing gear. New Zealand waters are filled with delectable treats, and an on board barbeque could be grilling up a mouth-watering kingfish, snapper or blue cod for lunch.

Article by Rachael Steele/CharterWorld.com  
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# AIM SUMMIT DUBAI EXPANDS THE SCOPE OF \$10 TRILLION ALTERNATIVE INVESTMENT INDUSTRY TO NEW FRONTIERS



The AIM summit has become a yearly gathering that investors, hedge fund managers, family offices, private equity funds, global industry leaders and governments look forward to since its inception in 2015. It is considered the leading alternative investment summit in the region. In its 10th edition, AIM Summit will be held at the Waldorf Astoria Dubai UAE on November 18th and 19th 2019.

While AIM Summit has always been a platform to discuss investment developments, global market conditions and current trends, this year it is opening up its doors to topics that are set to impact the investment sector and private equity funds, as well as family offices, in a way that will pose new opportunities and disrupt traditional investment ecosystem.

Ms. Raha Moradi, Managing Director

of AIM summit, stated, "While the first day we will cover the traditional topics of hedge funds, private equity, private debt and family office investments, real estate, emerging markets, impact investing and sustainability, day two will cover AI (Artificial Intelligence) Investments, Blockchain, Security token offerings, digital assets, cryptocurrencies and Fintech.

These new terminologies and technologies will open the door to the emergence of new asset classes and risks. In addition, the introduction of Security token offerings and digital securities will reinvent the way traditional financial products are structured, held and traded, democratizing alternative investments, disintermediating industry incumbents and reinventing the business model of many financial services intermediaries."

In what looks to be an enriching agenda, AIM speakers will include highly regarded and key experts with names that include James McCormack, Managing Director, Fitch Ratings, Fabio Scacciavillani – Chief Economist, Nuserve, Christof Rühl – Advisory Board, Crystal Energy, Ashish Marwah – Chief Investment Officer, ADS Investment Solutions, as well as Peter Rockefeller, Board Member & Vice Chairman, Rockefeller Philanthropy Advisors, and Managing Director, Brock Capital Group. Mr. Rockefeller states, "I am pleased to join the AIM Summit in Dubai this November, where I will be speaking about impact investing and sustainability. The summit convenes an exciting group of forward-thinking investors, practitioners, and commentators, providing an unparalleled forum for the discussion of cutting-edge investing topics. This year's event is no exception, with a program of leading speakers and

panelists that will be of great interest to investors in alternative asset topics, including venture, digital currency, impact investing and real estate."

Zachary Cefaratti, Founder & CEO, Dalma Capital Management Limited and the Strategic partner of AIM Summit, added, "AIM Summit has been a critical event for us to meet investors and business partners. The quality of the attendance is second to none. It is clear that attendees are handpicked and vetted."

Other key speakers include Sheila Driscoll, Founder, Sheila B Driscoll Foundation, Navin Gupta, Managing Director, South Asia & MENA, Ripple, John Trammell, Managing Director, Symphony Financial Partners, Dr. Ryan Lemand – Senior Executive Officer & Board Director, ADS Investment Solutions, Mishal Kanoo – Chairman - UAE & Oman, The Kanoo Group and many other prominent speakers from across the region and internationally. Dr. Sabah al-Binali CEO, Universal Strategy; Vice Chairman of the Board, The National Investor, voices, "The AIM summit is exceptional in providing a diverse range of views across the alternative asset and strategy classes. This is my third summit, and I look forward to keep learning."

The forum will look into various topics, including global investment prospects and the road ahead, the global role of the US dollar, Shifting geopolitical landscape & trade volatility in the global economy, the future of impact investing, GCC risk environment today, institutionalizing family offices, VC landscape in the wake of WeWork, the rise of digital assets, global digital currencies, decentralized finance using blockchain & AI, challenges facing MENA fintech, the emergence of blockchain technology as the catalyst for a series of innovation in trading and much more.

AIM Summit is a meeting of minds in an era where investing is not only must for sustaining economic and business sector, but also a reflection of the future. As Mishal Kanoo, Chairman – UAE & Oman, The Kanoo Group stated, "Alternative investments

are a way to allow investors to see a different view of the investment world. It also helps them invest in things that they might not only benefit from, but actually enjoy."

In these times of turbulence and uncertainty, AIM Summit hopes to shed light on opportunities, as well as risks in the region. Dr. Ryan Lemand, Senior Executive Officer & Board Director, ADS Investment Solutions, adds, "Developed Markets valuations have gone back to their previous highs, and traditional Emerging Markets have been volatile due to the trade war, while GCC has been able to weather through the cracks of these global geopolitical tensions have increased risk. We will showcase what to invest in and how to invest in the GCC markets."

AIM Summit is sponsored by Dalma Capital, ADS Investment Solutions, IG, Bitfolio, Lecocqassociate, Apex, Fitch Ratings and many more.

In conclusion, AIM Summit is opening its doors to those interested in discussing these topics and networking with an elite group of investors, family offices, and more.

About AIM Summit

Launched in 2015, AIM Summit is The Leading Regional Alternative Investment Management Summit gathering and connecting regional investors and managers in the world of alternatives (Hedge Funds, Private Equity, Venture Capital, and Private Debt) with global industry leaders.

AIM Summit is a platform for discussions on investment developments, global market conditions, latest trends and acts as a networking forum for future business opportunities. The only conference of its nature and magnitude organized and orchestrated by the industry in an intimate setup to induce real discussions on the best practices and know-how.

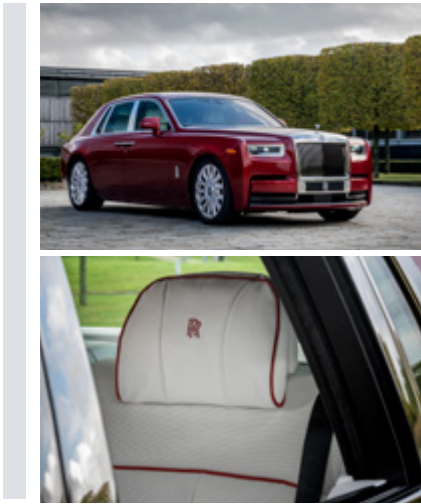
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# ROLLS ROYCE RED PHANTOM

A distinct vision

The House of Rolls-Royce today revealed images of a Bespoke Red Phantom, commissioned to benefit (RED), the global charity and its fight to end AIDS





# ROLLS RED PHANTOM ROYCE

by Ty Murphy

The House of Rolls-Royce revealed images of a Bespoke Red Phantom, commissioned to benefit (RED), the global charity and its fight to end AIDS. First sketches of the red-themed creation were revealed by the world's leading luxury manufacturer seven months ago at the Sotheby's Galleries in New York City. The Bespoke Phantom will be unveiled at a gala event at the One Thousand Museum in Miami, on Wednesday 4 December, as Sotheby's and RM Sotheby's launch an exclusive online auction which will run until 13 December 2019 on sothebys.com. Proceeds from the auction, after costs, will benefit (RED)'s fight to end AIDS.

The successful bidder will have the unique opportunity to collaborate with one of the world's most respected contemporary artists, Mickalene Thomas. The artist will create a custom wrap for the exterior of the motor car, based on an original work of art inspired by the Red Phantom for the collector. When the digital hammer falls, the ultimate bidder will be the proud owner of the Red Phantom, a personalized artwork by Ms. Thomas and the honor of having supported (RED) in its mission.

"It is an honor and privilege to present this one of a kind commission created at the Home of Rolls-Royce in Goodwood, England," commented Martin Fritsches, President and CEO of Rolls-Royce Motor Cars Americas. "Every member of our team is deeply inspired by this world-class commission and equally by the importance of the cause that it was created to support - (RED)'s fight to end AIDS. We are proud to partner with Mickalene Thomas, Sotheby's and RM Sotheby's to achieve an outstanding result from this auction."

Jennifer Lotito, Chief Operating Officer, (RED), commented, "We're so grateful to Rolls-Royce for donating profits from the Red Phantom to help with the fight to end AIDS. We need all forces mobilized against this pandemic which is the leading cause of death among young women. We also want to thank Mickalene Thomas for her creative genius and support of this auction to help the Global Fund eradicate AIDS." I am honored to collaborate with such an esteemed group of partners as (RED), Rolls-Royce Motor Cars, Sotheby's and RM Sotheby's in the global

This very special Red Phantom has been designed to benefit (RED)'s fight to end AIDS.

The commission design, by the world-renowned Bespoke Design Collective in Goodwood, England, Home of Rolls-Royce stands alone as a natural authority. Designers have carried the powerful Red theme throughout the design in subtle and luxurious style.

The Bespoke color is Crystal over Magma Red. Particles of crystal have been captured in the final layers of finish to give it a luxurious luminescence. Recently created by the Rolls-Royce Bespoke Collective, the finish is comprised of five layers, each hand-polished for more than five hours. The vehicle's wood veneers were expertly selected and finished by hand with six coats of lacquer to ensure a perfect finish.



fight to end AIDS. To be able to share my creative vision in a way that impacts such a noble cause feels powerful and inspiring to me and I am sure to the ultimate winning bidder who is coming together with these amazing organizations to change the world," said Mickalene Thomas.

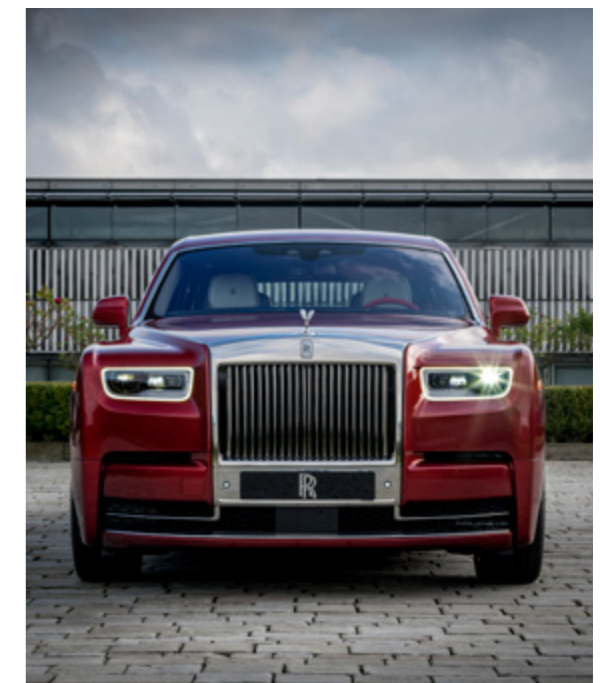
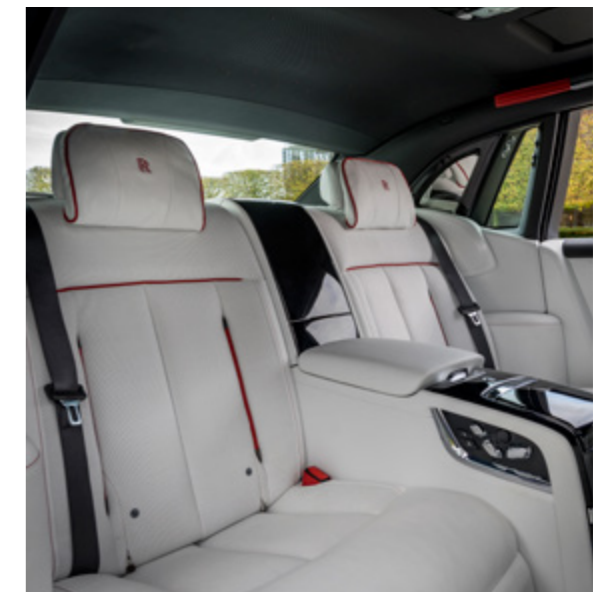
(RED) was founded in 2006 by Bono and Bobby Shriver to engage businesses and people in the fight against AIDS. (RED) partners with the world's most iconic brands that contribute proceeds from (RED)-branded goods and services to the Global Fund.

#### About the Global Fund

The Global Fund is a partnership designed to accelerate the end of AIDS, tuberculosis and malaria as epidemics. As an international organization, the Global Fund mobilizes and invests more than US\$4 billion a year to support programs run by local experts in more than 100 countries. In partnership with governments, civil society, technical agencies, the private sector and people affected by the diseases, we are challenging barriers and embracing innovation.

Mickalene Thomas (b. 1971, Camden, New Jersey) is best known for her elaborate paintings composed of rhinestones, acrylic and enamel. She makes paintings, collages, photography, video, and installations that draw on art history and popular culture to create a contemporary vision of female sexuality, beauty, and power.

Blurring the distinction between object and subject, concrete and abstract, real and imaginary, Thomas constructs complex portraits, landscapes, and interiors in order to examine how identity, gender, and sense-of-self are informed by the ways in which women are represented in art and popular culture.





# UK FAMILY BUSINESSES CHOOSE SELF-FUNDING TO FINANCE FUTURE GROWTH

KPMG

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

96% say innovation is key focus over next 2 years

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

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

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

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

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

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

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

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

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

### Confidence remains

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

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

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

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

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

Tom McGinness commented:

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

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

Succession top of mind as business families look to the future

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

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

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

Tom McGinness observed:

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

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

## How to use GLANIS to “Protect and Grow” capital in the current investment environment

Investors currently face a highly uncertain outlook for global financial markets. Several risks, such as a potential global recession coupled with record high debt levels and escalating geopolitical situations, threaten historically high valuations in stocks and bonds across most regions and sectors. Negative scenarios could affect both liquidity on financial markets and correlations of asset prices, leading to unpredictable outcomes. The potential for impending stress on financial markets is therefore quite high, as is the potential to violate the first rule of managing capital: Never lose money.

A conservative long-term asset allocation providing capital protection and some growth in normal times will probably fail to do so in times of stress on financial markets. Let’s have a look at what happened last time: A diversified global portfolio consisting of 60% stocks and 40% bonds lost ca. 30% in less than 1.5 years during the turbulent market environment from October 2007 to February 2009.

In this environment, several questions will naturally arise in the mind of a wealth owner: How to achieve protection of capital? Is it possible at all to make capital grow while keeping protection? And how to always keep liquidity, a vital feature for wealth preservation in the event of a major disruption?

A combination of protection, liquidity and solid net returns can be achieved by investing in liquid arbitrage strategies that are active and agile on financial markets, especially if this is combined with efficient currency-hedging of a multi-currency portfolio.

In our family office, we name these strategies GLANIS, an acronym for “Global Liquid Arbitrage Niche Investment Strategies.” They have shown their protection characteristics and positive performance

for many years, and in particular in critical years such as 2008, 2011 and 2018, where performance on financial markets was negative and liquidity at times scarce.

Our GLANIS expertise has evolved for over a decade and has its origins in the highly competitive sophisticated environment of proprietary investment management for private family offices, where yearly absolute returns are a must. Let us look at the composition of GLANIS and how each of its components adds value in our experience:

**G** - Global investments in order to access the largest available opportunity set of strategies and obtain the best available liquidity conditions worldwide.

**L** - Liquidity is of utmost importance as it increases protection and transparency; we focus on strategies that match our preference for monthly liquidity.

**A** - Arbitrage strategies enhance the investment opportunity set with the possibility to not only buy, but also sell short liquid assets such as equities, rates, currencies and commodities without taking a direction in the markets. In case of pure arbitrage, a financial profit can be made without market risk

**N** - Niche strategies hold unique return drivers and alpha sources coming from superior investment skills which are challenging to find, analyse and invest. Liquid niche strategies for us are in particular arbitrage strategies or similar liquid strategies which are specialized in and focused on overlooked or new segments of financial markets and which are inherently capacity-constrained (and very profitable)

**IS** - Investment Strategies: Are much more flexible and dynamic and have thus a large opportunity set, in contrast to static “buy-only” investment assets

The investment philosophy of our family office is to “Protect and Grow” the family’s wealth at all times, independently of the direction of financial markets. We have been able to honor this philosophy while always keeping liquidity of our portfolio.

Over a financial market cycle and independently of the direction of financial markets, we target net returns of between 5% and 10% p.a., with a low standard deviation, normally of 2-3% p.a., which corresponds to the volatility of short-term bonds.

We always maintain mark-to-market liquidity. The targeted net exposure to financial markets depends on the direction of our proprietary market signals and is steered actively: In times of expected market stress, we neutralize risk (such as is the case currently) and employ strategies which would rather benefit from higher volatility. In times of expected positive market performance, we employ strategies that will benefit from the markets’ upward moves.

Two elements of the proposed portfolio construction are, especially in combination, of high added-value: Bottom-up strategies’ selection and the proposed top-down allocation of those strategies according to the prevailing market risk regime.

As we manage a multi-currency portfolio for the family, we also advise on hedging-cost optimization. In order to optimally manage such a portfolio, we propose proprietary smart currency overlay solutions whereby currencies can be hedged while reducing to a minimum the spread component stemming from the interest rate differential between various currency pairs, in particular USD vs CHF, GBP and EUR. For our family, this is especially interesting for the currency pair USD/CHF where spreads have recently been around -3% p.a.

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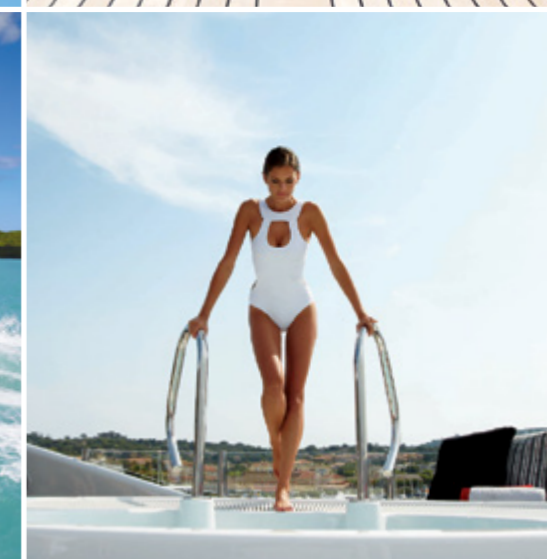
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# OLD WAR OFFICE



## PRIME RESIDENCES BY RAFFLES IN LONDON

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

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

Grosvenor Square. Charlie was also instrumental in the acquisition and sales strategy surrounding their latest development, Holland Park Gate.

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

FOM: What has driven the recent blurring of the lines between hospitality and residential around the world?

Charlie Walsh: I think certainly post-pandemic a lot of prospective buyers have realized that what they



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

Can you break down the key attractions of branded residences over standalone homes in the eyes of HNWI?

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



FOM: How will you ensure The OWO Residences by Raffles appeal to a wide range of buyers, and ensure that hotel guests and residents live in harmony?

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

# LAPLAND ICE DRIVING

Like nowhere else



Imagine drifting at more than 200 km/h in total safety on a full-scale F1 circuit reproduced on a frozen lake, behind the wheel of high-powered sports car in the middle of Swedish Lapland. This is the reality with a Lapland Ice Driving experience.

Here, your senses will discover a place of pristine and surprising beauty and authenticity, with lakes stretching as far as the eye can see, surrounded by immense forests of snow-covered pines and arctic tundra. Welcome to Arjeplog, the European capital of extreme weather car testing, 70 km from the Arctic Circle. This is the place where magic and technology become one, where powerful sports car engines whisper under the Northern lights.

For just 14 weeks each winter, Lapland Ice Driving transforms the surface of the frozen Lake Udjaur into an enormous 2,965 acre private drifting area, making it the world's largest driving centre, still unrivalled. Here, you will have the unique chance to try some of the 13 different tracks, including exclusive and officially-licensed, full-scale Formula One reproductions: Yas Marina, Silverstone, Nürburgring, Paul Ricard and Sepang (new this year).

Thanks to personalised in-car instruction, you will perfect your skills and master drifting by driving up to 250 km per day - the equivalent of an F1 Grand Prix! The instructors are all highly qualified, coming from the best driving championships. They use an unparalleled approach to guarantee you maximum pleasure during all your driving sessions.

No barriers, no walls, nothing in the way - just fresh snow alongside the track and your heartbeat telling you that you're living the present moment, just as it should

be. Everything is designed to allow limitless extreme driving behind the wheel of one of the 30 exceptional cars, each one specially prepared for extreme driving conditions: Ferrari, Lamborghini, Porsche, Maserati, Audi R8, BMW, Subaru, Ford Focus RS...you can choose from among them, and every day is the opportunity to fall in love with another one.

Through tailor-made services, everything is done so that you can personalise your stay down to the smallest details. As a registered tour operator and agent, the dedicated Lapland Ice Driving team will take care of all your travel arrangements for you, even if you come from the end of the world and beyond. This is all possible, and they will give you every assistance... and complete peace of mind. The only thing you need to be concerned with is the pleasure of enjoying the extraordinary.

And to appreciate everything up to and beyond expectation, you can bring your family or best friends to share the thrill and experience the ultimate themselves. And if they're not attracted to the ice driving experience, a lot of other exciting activities are available: road trip to the Arctic Circle, moose photo safari, dog-sledge tours, snowmobile, and more...and for the most relaxed among you, perhaps a break spa and sauna - they are all here.

Now, as you can see, the reality will exceed your wildest dreams, whether you are expert or beginner - and it can happen only at Lapland Ice Driving. You can already book now and be part of the happy few, from January 6 to March 22 only.

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# NEW CLASSIC, HISTORIC AND SUPERCAR ENGINEERING GLOBAL CENTRE OF EXCELLENCE IN THE WORKS



Did you know that an investment in a top condition and rare Bugatti, Jaguar or Ferrari during the financial downturn outperformed almost every other asset class including gold, Fine Art and wine? And that since then, classic road, historic race and super cars as an asset class, has consistently performed as top tier, superior to stocks and bonds, investing in the FTSE 100 and central London property?

Knight Frank's Luxury Investment Index and the HAGI Index (Historic Automotive Group International) – which includes the value of classic cars – evidence the stability and longevity of this class. Whereas other assets can be renewed or created, the supply for valuable cars is the most part fixed. Combine this with expanding demand from new and existing markets and you have an investment class that is now firmly established with excellent growth prospects.

There is one glaring gap in the market offering though. Worldwide, there are no centres of

excellence where the highest level of professional expertise is gathered in one place to offer a range of complementary services for this asset class. Firstly, to provide premium engineering services. Secondly, the maintenance and storage of high value vehicles. Thirdly, the sale of vehicles in this highly lucrative market. We propose to build such centres, the first one in the UK, and invite you to participate.

Modena Silverstone. Where's better in the UK to launch the first centre than at Silverstone? As one of the world's most iconic racing circuits, it will create a 'halo' effect. Modena Silverstone will be a platform for substantial stand-alone growth, enhanced through cross-sell opportunities and additional activities. The management believes that once the initial business at is established, several opportunities will become available whereby the business can be expanded geographically. Racing will position and enhance the brand. This expansion of the business model offers the original investors with the additional opportunity

to realise significant financial returns. The model is unique globally and projections show it would create substantial direct incremental revenue.

All this is possible now because of an unusual set of factors. When combined with the experience and expertise of the management team, Modena Silverstone provides investors with the ability to participate in a new business with excellent growth prospects in what should usually be seen as a mature and relatively closed industry.

These factors include:

- The continuing growth in demand for premium engineering services resulting from:
- The consistent and substantial increase in values of classic road, historic race and especially super cars.
- The changing skill-set required to service and repair supercars, particularly in respect of carbon composites and new hybrid technologies
- The succession issues facing several of the leading UK participants currently engaged in the repair, restoration and sale of classic road and race cars
- The gap which has arisen in the UK to fulfil some of the services relating to Ferrari, the world's leading automotive brand
- The renewed focus of Silverstone to further develop its automotive activities
- The commercial opportunities arising out of the increase in demand from world markets

With the installation of a six-metre autoclave, Modena Silverstone, with its long history and experience of specialist composite repair work to supercars such as Bugatti, Ferrari, Porsche and many other marques, will be uniquely positioned at the new site as a major composite component manufacturer.

Another strategic objective is to become the leading independent Ferrari-related brand worldwide for supercar, racing activity and a leading player in the premium historic and supercar sectors underpinned by outstanding engineering skills and the association with Silverstone.

The Management Board is highly experienced and



respected and brings credibility, authority and gravitas to the venture. Graham Schultz, the force behind and owner of Modena is himself an icon in the British motorsports and car industry. He ran privateer teams at Le Mans for five years, with many professional drivers as David Brabham, Nelson Piquet, and Leo Mansell (Nigel's son) to name but a few. He has over 30 years experience of premium engineering as owner of various luxury marques, including Porsche, Ferrari, Lamborghini, Rolls Royce, Aston Martin, etc.

The expertise and reputation for top quality and innovative engineering services established by Graham Schultz through the Modena Group is second to none. The relationships the management have within the industry and with the owners of supercar and classic car portfolios, which will facilitate the rapid development of Modena sales, which is anticipated to be the most profitable business within Modena Silverstone. Graham has extensive automotive relationships in Asia, Middle East, China, Singapore and Russia.

Key points. The project is to build and equip the facility. The build is in stages and at no time will the value of investment be less than the value of collateral. Graham Schultz will bring the value of the activities of the existing Modena Group into the venture. The physical collateral will be owned 100% by the investment vehicle until completion, when shares will be apportioned between Graham Schultz and the investment vehicle.

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# REPUTATION MANAGEMENT

## THE MODERN-DAY COAT OF ARMS



By David Robertson Mitchell

Why is reputation so important? Your reputation has a life of its own – it's out there in the world, moving from person to person without your knowledge or involvement, working its magic or doing its damage. A good reputation means when your name comes up in conversation, you're likely to be spoken of in a positive manner, subsequently making it easier for you to do business and gain access to the people you want to meet. A good reputation builds value in your name; a poor reputation destroys your value.

For family offices, reputation is often not high on the agenda; there's an assumption it'll look after itself as long as we do 'the right thing.' A reputation left to its own devices can be unpredictable, and when things go wrong, it's difficult to recover. However, there's much family offices can learn from the world of corporate brand management when it comes to building reputational clarity and resilience.

The relationship between brand and reputation is an interesting one. A brand is simply a thought and emotion a customer has in their head about a particular product or company, setting out a clear expectation for what's on offer. Reputation is what customers say to each other about that product or company, based on how well the expectation was met.

If you consistently meet or exceed that expectation, then a good reputation is built. However, don't expect customers to be complimentary if you fall short of their expectations.

So, family offices should start by asking themselves what expectations they're setting; what's the family brand? If you go back in history, the prominent families of the Middle Ages were pioneers in branding, with their coat of arms and family mottos. It allowed members of the family to be identifiable and set an expectation for what the family stood for. Of course, in those days there was no press, paparazzi, or social media to hold the family to account if they fell short of expectations. Today, prominent individuals face the most intense scrutiny there's ever been.

So, how does a family office go about creating a brand? The first step is to do some research to understand how they're currently perceived, both good and bad. Then you follow this with an in-depth discussion with the family to agree on how they want to be perceived. Out of these discussions comes a family brand; the clear thought and emotion they want to leave behind in the minds of people that matter to them, and a set of values and behaviours that support the family brand.

Once the brand has been agreed, family offices have a very particular challenge when it comes to implementation. Families, by definition, are collections of individuals. Some family members will be more important or prominent than others, and strong individual personalities and agendas will be a factor.

However, for the greater good of the family, a clearly understood brand model, implemented with ruthless consistency, can be a solid platform for positive reputation building. Here, the head of the family has to take a lead, becoming a role model for everyone else and insisting the values and behaviours are to be taken seriously. The family office has the ongoing task of ensuring there's consistency, something that has to be managed with sensitivity and tact.

Of course, there will be occasions when things go wrong, and suddenly, usually completely unexpectedly, the family reputation is put under pressure. It may simply be a business deal gone wrong, a personal indiscretion that hits the headlines, or in the worst case, something illegal or criminal.

There's a sliding scale of reaction, from disappointment to outrage. Disappointment is easy

to recover from; outrage presents a much more difficult recovery path.

A clear brand for the family pays huge dividends in these situations. You have a benchmark against which to identify where things have gone wrong, measure objectively how bad the situation really is, and a destination in mind as you put a recovery plan in place. Without that stable base, the situation can descend into chaos, with knee-jerk reactions and uninformed decisions creating a crisis out of what might have just been a minor drama.

In good times and bad, taking a serious approach to reputation management is something a family office should have as part of their responsibilities. Building a strong, positive reputation can only be good for the family and will give a valuable return on investment to all the activities of the business. As you finish reading this article, ask yourself this question: 'What do we want people to think about us?'

David Robertson Mitchell is a Reputation and Personal Brand Consultant, working with CEOs, global sports teams and world champion sports people.

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## WHY FAMILY OFFICES AND HIGH NET WORTH INDIVIDUALS ARE INVESTING SUSTAINABLY



According to a recent report in Bloomberg, super-rich families and family offices are increasingly including sustainability and ethics in their investment charters. Assets managed under the broad definition of sustainability reached 27 billion euro at the start of 2018 – a 30% increase from 2016.

In Australia, the Liberman family is one of the wealthiest family offices, with a net wealth of approximately 1.5 billion euro. The family's wealth is derived from the late Jack Liberman, who invested significantly in retail and property assets. In an interview with the Australian Financial Review, Berry Liberman (the granddaughter of Jack Liberman) discussed their approach to investing. *"I think money can be a great enabler... money need not dictate to us the*

*world we should live in. Rather, we can use money to create a world we want."*

For the Libermans and other wealthy families around the world, there is a new paradigm to investing - equity, sustainability and positive impact drive decision making and analysis.

Berry and her husband have established a Certified B Corporation, "Small Giants," to invest with a 'deeply passionate and innovative ethos' in a diverse agenda, including partnerships with start-up social enterprises and large-scale social and environmental projects. A recent investment includes 'Tom Organic' – a Melbourne-based business that makes women's sanitary products from natural fibres.

The use of Certified B Corporations is also expanding rapidly. The accreditation is managed by B Lab, which is a global nonprofit organization, and companies must receive a minimum score for social and environmental performance. In June 2019, there were over 2,750 Certified B Corporations across 64 countries.

So, what exactly is sustainable investing? The general definition is an investment strategy that considers traditional financial analysis together with three other factors – environment, society and governance. This is referred to ESG investing.

A report by UBS/Campden in 2018 found that 34% of family offices were involved in some sustainable investing, so there is still a long way

to go. And plenty of opportunity for asset managers with strong ESG focus to convince family offices of the merits of their narrative and business.

Another Australian wealthy investor, Danny Almagor, explained the sustainable investment philosophy driving many family offices to the Australian Financial Review: "identify investment opportunities that offer commercial returns whilst creating a positive social and environmental impact to improve the world in which we live."

And it is not just in Australia - the trend is global. In the Netherlands, Wijnand Pon, co-founder of Dutch conglomerate Pon Holdings BV, has established a foundation to invest in large-scale and long-term land restoration projects. The foundation is called Commonland and has an ambitious mission to transform degraded landscapes into thriving ecosystems and communities. What is interesting is the strategic business case the foundation is adopting to help fight climate change.

Land degradation is one of the world's great problems, with about 25% of total land area in a degraded state. When land is degraded, soil carbon and nitrous oxide is released into the atmosphere. This makes land degradation one of the largest contributors to climate change. Scientists have predicted that up to 24 billion tons of fertile soil was being lost each year due to unsustainable agricultural practices. If this trend continues, 95% of the Earth's land areas could become degraded by 2050.

Commonland is dedicated to working with global partners to transform 100 million hectares of degraded land into thriving ecosystems and communities by 2040. It will do this through a unique blend of profit and purpose that may well become a model for other family offices and high net worth individuals.

In July 2018, Commonland became a foundation shareholder of the world's only publicly listed regenerative agriculture companies – Wide Open Agriculture Limited. It was established in Australia to transform degraded land, restore biodiversity and create a strong, sustainable business.

Wide Open Agriculture Limited offers a glimpse into how profit plus purpose vehicles will be structured in the coming years. A listed enterprise, with a sustainable, vertically integrated business model and a goal to deliver positive measurable impact on the ecosystem and environment. A large family office is already on the register as one of the founding shareholders. It is already delivering strong cash flow and making a positive social and environmental impact.

Many high net worth individuals and family offices are also looking to start-up accelerators to drive sustainable business and create positive impact. Mike Cannon-Brooks is a co-founder of tech software giant Atlassian and has a net worth around AUD \$13 billion. Cannon-Brooks is a passionate advocate for investing in climate-change start-ups, saying recently, "Humanity faces a climate change emergency – it's a crisis that demands leadership and action." He wants to drive change rapidly, and the start-up accelerator model offers the ability to mix founders and investors to achieve massive scale to bring about positive sustainable impact.

In the United States, ESG investing amongst the super wealthy is growing exponentially. The Bill and Melinda Gates Foundation is at the forefront of driving change through innovative co-operation agreements with business. Gates has teamed with Harvard physicist David Keith to create a business that could decarbonise the global economy by extracting carbon using giant fans, then using the gas to make clean, carbon-neutral synthetic gas and petrol to power ships, trucks and planes.

The message is clear – ESG investing is now mainstream. The super-rich and family offices are not content to passively sit by and invest or donate in the hope change eventuates. They want to be part of the solution and derive financial benefits from creative, innovative, sustainably driven investing.

Matthew Reynolds is a finance consultant based in Frankfurt. He works with Australian and German companies, investors and family offices to facilitate investment and engagement.

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# WHEN THE TIDES TURN

By Matt Garofalo



In the second half of 2019, fears that the U.S. economy was steaming towards an imminent recession began to swell. On any given day, media headlines were absorbed by the repo market seizing, the yield curve inverting, the trade war raging, the national debt rocketing, and, most certainly, the president tweeting. It's all deafening and mad, but what's most troubling of all is the lack of discourse around what will be done when the tides eventually turn.

To be clear, we are not trying to postulate whether or not we are at the precipice of another recession, nor are we trying to guide you on how to position your investments for the next recession. We are simply exploring what actions the U.S. can feasibly perform to mitigate the next recession. Perhaps the best place to begin this exploration is a quick review and inventory of the standard recession fighting toolbox.

Starting with the fiscal policies that Congress and the president can pursue to curb a U.S. economic downturn: taxes can be cut, and government spending can be increased. Both of which are performed to stabilize the economy by spurring consumer spending and business investment. Ultimately, the effectiveness of such policies can be determined if increases in Real GDP and decreases in unemployment are realized.

Next are monetary policies that the Federal Reserve's Board of Governors (BOG) and the Federal Open Market Committee (FOMC) can pursue. These policies include purchasing securities (normally treasury bills, notes, and bonds) through open market operations and quantitative easing, reducing reserve requirements (the amount of cash determined by the BOG banks are required to hold), lowering interest rates on reserves (refers to the Fed funds rate determined by the FOMC that banks charge each other for borrowing funds),

and decreasing discount rates (the rates determined by the BOG that the Fed charges banks for borrowing funds). Similarly, these intend to stimulate business investment and the availability of credit.

Having reviewed the toolbox, let's take inventory of our current tools.

## Taxes Have Been Cut

In December 2017, the president signed the Tax Cuts and Jobs Act (TCJA). At its essence, the TCJA is intended to lower taxes for individuals (in most cases and through 2025), lower taxes for corporations (permanently), and lower taxes for pass-through businesses (some). The impact is that the TCJA is projected to save businesses and households \$1.5T in taxes over the next decade. As for where this leaves taxes as a tool, another cut could be attempted but would unlikely succeed given the political maneuvering required and the current budget deficit.

## Government Spending is Alarming High

The federal government, in 2019, collected about \$3.5T and spent about \$4.5T. Moreover, this spending can be roughly broken down as follows: Social Security (\$1T), national defense (\$700B), medicare and health (\$1.2T), income security (\$515B), interest on debt (\$375B), veterans benefits (\$200B), education (\$135B), and several more categories (\$375B). The impact is that the U.S. has been regularly overspending, has created a trillion-dollar deficit for 2019 alone, and will likely struggle to reallocate spending in the future.

As for where this leaves spending as a tool, an attempt could be made to allocate additional funds to unemployment benefits, education, healthcare, federal contracts, grants, and loans as performed under 2009's American Recovery and Reinvestment Act (ARRA), but it would be unlikely to succeed given the increasingly partisan political environment, and it would further exacerbate the federal deficit.

## The Fed Has Been Purchasing Securities

Between 2007 and 2015, the Fed's balance sheet increased from approximately \$870B to \$4.5T. The impact is that the Fed's current \$4T balance sheet is still overloaded with a mix of treasury securities and mortgage-backed securities initially purchased to increase the money supply and restore confidence during the Great Financial Crisis (GFC). As for where

this leaves future purchases of securities as a tool, it's uncertain as to where and to what extent the Fed will intervene during another recession, given the roughly \$4T it will likely still have on its balance sheet when the next one arrives.

## The Fed Has Been Reducing Rates and Reserve Requirements

Effective October 2019, the FOMC decreased the Fed funds target rate from 1.75%–2.00% to 1.5%–1.75%. Also effective October 2019, the BOG adjusted discount rates - decreasing the primary credit rate from 2.50% to 2.25% and the secondary credit rate from 3.00% to 2.75%.

Meanwhile, effective January 2019, the BOG requires all banks with more than \$124.2M (\$127.5M effective January 2020) on deposit maintain a reserve of 10% of deposits. The impact is that rates and reserves have already been reduced to encourage lending and bolster growth during a period of record expansion. As for where this leaves future rate and reserve reductions as a tool, there is still some room for future reductions, but there's far less flexibility now than there was going into the GFC, when the Fed funds rate was hovering over 5.00% and discount rates were hovering around 6.25%.

## What Happens Now?

That appears to be an increasingly grim question. Today's toolbox is depleted compared to where it was going into the GFC. When tides turn, the U.S. government's best bet will be reducing rates and reserve requirements, purchasing what securities it possibly can, and hoping the next crisis is not nearly as bad.

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# WHY LEGACY PLANNING NEEDS TO INCLUDE A NEW APPROACH TO FAMILY COMMUNICATION

By DeLona Lang Bell, Founder, Family Legacy Trove

## COMMUNICATING A FAMILY'S VALUES, PURPOSE, AND STORIES IS VITAL TO LEGACY PLANNING

A family's story, values, and purpose are a core part of their legacy. But these are only passed on when families are intentional about communicating them.

Advisors who help families do this not only to add value to their services, but help create the alignment needed to preserve wealth.

"Often, the families who are most successful in developing a healthy family wealth culture preserve stories and history, articulate a common purpose, and foster communication. Families who develop a healthy attitude toward their wealth through open and honest discussion are typically more likely to see that wealth preserved from generation to generation," says Catherine Schnaubelt, Senior Wealth Strategist at CIBC Private Wealth Management, in her "Three Principles for a Successful Family Legacy" Forbes article.

"Beyond traditional estate planning, legacy planning is an opportunity to define, reflect on, and express what wealth really means to a family so not only financial wealth, but also a family's core values, are passed on to future generations," she says.

Yet fewer than half of all families have talked with heirs about fundamental family values and operating principles, according to a study of more than 650 high net worth people conducted by Merrill Private Wealth Management.

Communicating a family's values, purpose, and stories is at the heart of preserving common ground as a family grows. Yet too often a strategic approach to helping families communicate their mission, values, and family stories is an overlooked part of legacy planning.

## A MORE STRATEGIC APPROACH

But that doesn't have to be the case.

An arsenal of communication strategies and tools—the very ones used by successful companies around the world—offer potent ways to build that shared sense of purpose and values across generations.

In fact, today's technology and communication tools offer unprecedented ways of connecting one generation to another, encouraging ongoing discussions, and communicating in ways that engage multiple generations.

Making these a part of legacy planning offers new and better ways of sharing the founding ideas and experiences within a family.

### STEP 1: IDENTIFY THE CORE VALUES

If this hasn't already been done, the first step is to identify the values, stories, and the "why" that drives the family. It's best to involve multiple generations to ensure ownership either at a family meeting or using digital tools like FaceTime, if distance is an issue. Some families choose to bring in experienced facilitators, and many find the process itself is clarifying and unifying. At the end of this step, a collection of core ideas, and even some supporting stories, should be articulated. For example, if a strong work ethic is one of the family's values, some examples from family history will be identified to illustrate how that looked in real life.

### STEP 2: EMBRACE THE DIGITAL COMMUNICATION TOOLS BEING USED BY THE WORLD'S LEADING COMPANIES

The first step is to create a delivery platform that allows members of the family to access the information anytime, from anywhere—while keeping it private (if a family doesn't want a website, store the content on a hard drive, but recognize this limits access to anyone

who has the drive and prohibits members from creating a "live" family asset that's always being added to).

## The Power of Private Family Website: A Digital Gathering Place

When the wealth creator's journey began, their family was likely small and local, making it possible to pass along values and stories in person. They may have a collection of photos, letters, or journals that might be passed on someday—if they aren't lost or don't decay in the process.

But as a family grows and disperses geographically and technology changes the way generations communicate, families need to adapt.

A private, password-protected family website on a robust, easy-to-edit platform is the ideal digital landing place for a family's signature communication tools. Accessible any time, any place, it removes the geographic barriers that prevents access to some of these priceless assets.

Unlike a family history book, a website is dynamic, and family members who have the password can continually be adding to the collection. Instead of being a "set and forget" tool, it facilitates ongoing engagement across generations.

### Curate and Create Custom Content

Once a website is created, it can become the place to hold, build on, and preserve the family's digital collection of signature communication tools. Think of it as a "live recording" of family history, where content is added by all the members—and keep the focus on content that preserves legacy and conveys values, purpose and stories.

The website is where a family will store bespoke communication tools, like video interviews, as well as impromptu content that's curated and created by family members. Examples include:

1. Videos. This is the fastest growing, most engaging medium available today, and as such it should be a part of a family's collection. Think of the impact on future generations who can see and hear from a grandparent via video. Include a mix of professional and iPhone-created videos to bring the full power of film to the family's story, while also allowing any member of the family to add spontaneous videos to the collection.

2. Dedicate a page of the website to conveying family values and purpose, and create separate pages for each new family unit to add their own.

3. Create a collective online journal (blog), where any member can chronicle events, milestones, memories, sayings, traditions, or anything meaningful to them. This creates a dynamic record all family members can participate in creating and is always being updated.

4. Create a page for family history and stories. Store history excerpts, scans of family trees, or other historical content here.

5. Scan some of the "milestone pictures" (first home, graduation, weddings, births) and store them on the website—with annotations that provide context.

Creating a digital communication package is a lasting way to convey a family's legacy, engage heirs, and keep a growing family aligned around their key values and purpose.

DeLona Lang Bell is president of CMBell and founder of Family Legacy Trove, which creates bespoke communication packages for families who want to preserve their values, purpose, and stories and build stronger alignment across generations. For more than two decades, her firm has developed award-winning, high impact communication tools for more than 100 companies nationwide. [www.cmbell.com](http://www.cmbell.com)





# YOUR OFFICE SPACE HAS NEVER BEEN MORE IMPORTANT

It is one of the great contradictions that in the digital age, physical real estate continues to matter. If you are an occupier, real estate is now a strategic priority for your business and the workplace represents a further strategic lever available to business leaders in their pursuit of competitive advantage.

In this respect, real estate decisions influence and reinforce an array of business priorities – from talent management, corporate and social responsibility, inclusion and diversity, to the transformation of corporate culture and brand or the restructuring of business models in light of rapid technological advances. Failing to put your space at the heart of your strategic agenda is, simply put, failing your business.

For investors, the appetite for real estate remains insatiable. The occupier’s strategic agenda raises the stakes and demands a fundamental rethink of your market proposition and investment strategy. You need to offer greater occupational flexibility and lease terms.

Your space must become, to a certain extent, a fluid and flexible business service not a fixed physical product. Although the provision of a high quality, well-designed physical environment remains important, providing excellent customer service and curating an unrivalled and productive customer experience will become more so.

This will be the route to maintaining a base of income generating customers. It makes effective investment more complex and possibly more challenging, although for many private investors with exposure to the hospitality sector there may be some valuable lessons to transfer into the office market. In essence, failing to put your space firmly in the hearts and minds of your customer is, in simple terms, to place income, return and asset performance at risk.



Dr Lee Elliott  
Global Head of Occupier Research  
Knight Frank

There are five drivers that are changing real estate market dynamics and will influence both investment and occupational strategies.

## 1. Productivity

Real estate is a strategic device for business. As this is more widely recognised, attitudes towards real estate change and focus shifts towards enhancing productivity through effective, not necessarily cheap, real estate solutions.

An uncertain operating environment, characterised by relatively low levels of economic growth and high levels of political risk, coupled with wide-ranging and game-changing technological disruption, is compelling business to do things differently. Real estate has a central, and increasingly recognised role in this ongoing process of transformation. Business leaders have a growing appreciation of

the role that bricks and mortar can have in supporting strategic change. The office has become an extension of a business’ brand. Real estate matters.

## 2. Mobility

Be it to centralise business operations, be closer to clients, achieve a flight to quality, improve access to public transport, or be closer to retail and cultural amenities, increasingly we are seeing more and more business tenants relocating. For example, investment manager Apollo Global Management is moving from its traditional Mayfair home to a new building in Soho. Companies are now moving for the benefits of a building rather than historic location

The ability to lure and retain quality staff has become more important than ever, and employers are responding by being more in-tune to staff needs and seeking out office locations that provide outstanding amenities such as cycle storage facilities, showers and relaxation rooms. Global management consultant, McKinsey has re-located their London office to a new flexible and contemporary building in Holborn. In an increasingly competitive business world, tenants who undertake this corporate flight to amenity-rich locations are not just addressing an immediate commercial need - they are also future-proofing their organisations.

## 3. Competitiveness

Senior C-suite executives all recognise that occupancy decisions, once viewed as ancillary to the core business, can have a significant impact on a company’s strategic and financial performance. Boards are becoming aware that if their company footprint is misaligned with its operating needs, harsh penalties may ensue through asset write-downs, space shortages and a loss of talent, all of which impede competitiveness. In constrained global labour markets, where talent is at a premium, it is now vital that the input and considerations of the HR director are taken into account during the real estate decision-making process.

## 4. Flight to quality

Human capital is fundamental to business. It pays to

ensure that key talent is included in, and accepting of, any re-location process in order to mitigate operational disruption. People have the power over property – something that also shapes financial evaluations of the workspace. Global executive search and talent advisory firm Egon Zehnder has moved from its location in Mayfair to Nova, a new modern high-spec building in Victoria.

Property costs are almost four times less than the largest business cost area – staff. The most graphic illustration of these relativities is that the cost of losing a member of staff to a business is up to ten times greater than the cost of accommodating them. Those who understand this dynamic, appreciate that the true cost of real estate is its indirect effect on the attraction and retention of staff.

## 5. Flexibility & Service

The ultimate contribution of real estate is to increase business productivity via a strengthening of the interaction between people and property. Corporate real estate initiatives must seek to bolster productivity by increasing the attraction of the workplace and, via that attraction, raise the utilisation and occupancy of the space rather than simply taking space away.

Productive work derives from the creation of a positive, well-serviced and well-supported workplace environment. The old adage of ‘build it and they will come’ has shifted to ‘service it and they will work’. The approach is no longer one of providing the bare necessities at a workplace, but instead about enhancing the experience of those working within it

The simple rationale is that positive workplace experiences lead to happier workers; and when workers are happy they typically tend to be more productive, effective and stay longer. The true value of human connection becomes recognised and better accommodated by making well-being, creativity, experience and productivity the cornerstones of workplace strategy.

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# FOR YIELD, CONSIDER U.S. MULTIFAMILY INVESTMENT

From central banks around the world cutting interest rates, to international trade tensions threatening corporate profits, to decelerating GDP numbers in a variety of markets, the global economy faces multiple headwinds that can stifle investment returns.

Most notably, the fixed income market faces significant challenges that limit institutional investors' ability to reliably earn a reasonable, risk-adjusted return from bond yields.

In August, Bloomberg reported that a record \$14 trillion in bonds globally have negative yields, comprising about 25% of the total investment-grade bond market.

Meanwhile, equity markets have been hampered by volatility. In fact, according to a recent study of 34,000 global investors, Bloomberg reports that 55% expect a significant market sell-off in 2020, with 62% planning on diversifying their portfolios.

**And that's where U.S. multi-family investment comes in.**

Investors looking for stable, income-producing assets with significantly higher yields than bonds might explore multi-family housing in the United States. With its stability and position as a hedge against inflation and changing interest rates - not to mention its steady cash flow and capital appreciation - multi-family investment has proven to be an important diversifier to investment portfolios. It's also a good hedge against a down market. Even in a recession, everybody needs a place to live.

This article focuses on investment-grade U.S. rental apartment communities, typically comprised of at least 200 units, with abundant amenities, such as swimming pools, fitness centers, and clubhouses.

Demand Drivers for U.S. Multi-family Investment Homeownership in the U.S. hovers around its all-time low of 62.9%, as more and more people are



By Christopher Finlay  
Founder/CEO, Lloyd Jones LLC |  
Multifamily Investment

entering the rental market. Three specific factors are driving this trend:

(1) People of all ages are now renting by choice. (2) U.S. demographic trends are creating an unprecedented demand for rental housing. (3) The current global economic cycle supports investment in U.S. multi-family housing.

(1) Americans have become renters by choice for flexibility, affordability, and lifestyle:

The two largest generations in U.S. history are flooding the rental market.

Seventy-five million young people are moving out of their parents' homes as they embark on career paths. This generation tends to change jobs frequently and thus prefers the flexibility that rental housing provides. Furthermore, most have no down payment to purchase a home.

At the other end of the spectrum, another 75 million baby boomers (born between 1946 and 1964) enter another phase of their lives. As they reach retirement, they're escaping the burdens of large multi-story homes and choosing maintenance-free rental lifestyles. And they're gravitating to active, engaging senior communities, where they find like-minded friends. Across all generations,

many find themselves renters by necessity due to income limitations. New apartment construction has tended to be luxury development due to the high cost of construction and scarcity of desirable land. This creates a strong demand for quality, middle-market housing.

(2) Demographic demand creates investment opportunities.

## Workforce Housing

While some Americans live in luxury apartments, such a lifestyle is out of reach for most of the population. The American "work force" includes teachers, firefighters, and other middle-income working families who typically earn about 100% of area median income (AMI).

With the U.S. employment rate at highest levels, housing options haven't kept pace with demand. Working families seek quality, middle-income housing in good neighborhoods. And this presents an exciting opportunity for investors.

## Value-Add

Today, this middle-market multi-family housing consists of existing, older (1980 and newer) properties in need of capital improvements. Value can be added to these properties through upgrades to the units and the community amenities. Thus, the term "value-add."

Over the past few years, investors have grabbed up these class -C and -B properties to the tune of some \$375 billion, according to a 2018 CBRE study, attracting significant investment activity, even from institutional investors.

Despite the acquisition flurry, value-add opportunities still exist, albeit with reduced returns, due to the popularity of the investment and lower cap rates. Today, the prudent business plan calls for a longer-term hold, with steady annual yield and sizeable appreciation upon disposition.

## Senior Housing

Senior housing has become a major investment opportunity due to the impending surge of retiring Americans (10,000 every day) needing appropriate

housing. As people age, many forego their two-story homes for a single-level, maintenance-free lifestyle. And contrary to previous generations, they're opting for rental housing. In fact, between 2007 and 2017, the number of renters aged 60+ has increased by 43%, according to a RENTCafe analysis of Census data. And these new "seniors" are still active in sports, hobbies, and volunteerism, many continuing to work well beyond retirement age.

Senior housing in the United States includes a variety of lifestyle options, from active adult with no services to full-service nursing homes. What these communities have in common (besides a physical structure appropriate for an aging population) is the emphasis on well-being and socialization. According to Forbes Magazine, researchers have found that social isolation can increase the risk of death by as much as 60%. Thus, the importance of a community setting.

(3) Global economic cycle calls for a diversified investment portfolio.

With international trade tension, a volatile stock market, and a deceleration of GDPs, now may be the perfect time to consider investing in U.S. multi-family real estate.

"Wealthy people around the globe are hunkering down for a potentially turbulent 2020, according to UBS Global Wealth Management," reports Bloomberg. Multi-family investment can counter that turbulence.

For portfolio diversification and stability, a hedge against inflation, and the potential of steady cash flow and significant capital appreciation, it's hard to beat multi-family investment through private-equity joint ventures, funds, and direct investment with an experienced sponsor/operator.

The advantages, combined with the global economic and investment conditions that make yield harder to find, create a ripe environment for U.S. multi-family real estate investment.

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# CHALLENGES AND IMPLICATIONS IN MANAGING FAMILY ASSETS ACROSS BANKING INSTITUTIONS

by Heinz B. Rothacher

Information technology has changed and is still changing at an enormous speed. Having access to large amounts of data in very little time has become taken for granted. Nevertheless, processing big data is still rather complex. How can family offices extract the most relevant information out of the data pool and derive the right conclusions? Professional investment reports ensure the relevant transparency.

Banks and wealth managers may not always fully share the financial interests of the family. Wealthy individuals, therefore, increasingly rely on family offices and independent investment consultants to manage investments across the mandated banking institutions, oftentimes also extending to complex non-bankable assets.

Growing demand by wealthy individuals  
Institutional investors have been using the services of independent investment experts for a long time. In recent years, the demand by wealthy individuals for independent investment consulting services has grown due to the increased complexities of available financial instruments. These instruments are associated with new risks and new regulation requirements that have to be met by UHNWI families when managing their assets as well.

The services that family offices or independent consultants should provide are thus diverse, ranging from developing an investment strategy to reorganizing investments by selecting the "best-in-class" investment managers and products up to monitoring the wealth management process as part of a comprehensive investment controlling. Professional and independent support is furthermore sought to establish the increasingly important aspect of family governance.

Creating an effective investment report – concept first  
Successful wealth management starts with a written concept wherein the goals of the asset owners are described in detail, e.g. being able to assess the family assets from various perspectives at any time,



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including not only breakdowns by asset classes or currencies, but also enabling a direct comparison of wealth managers. Similar to a navigation system, an investment report should enable the family to gain a maximum of insight on and transparency of the managed assets and thus facilitate to control them and achieve the set goals.

Results should be comparable with benchmarks of the relevant asset classes. All assets should be reflected in the investment reporting, i.e. all family property, real estate, art and car collections, company shares, etc. Lastly, the reporting should be customized towards the various recipients, so each family member and family officer receives as much information as desired, but not more data than needed.

#### Requirements for asset consolidation

A reliable and meaningful investment reporting creates transparency. Necessarily, all assets have to be collected, standardized and, if necessary, prepared or enriched, regardless of location and custody-type. The consolidated data are the indispensable foundation for extensive data analysis. Finally, the results have to

be filled into a customized format, accompanied by a telling summary.

In general, an investment report consists of six modules:

1) Asset Consolidation and Allocation, 2) Performance Measurement, 3) Portfolio Analysis, 4) Risk Measurement, 5) Investment Compliance and 6) Specification of the Service Range according to the clients' needs. The report should be an individual combination of these components, whereof asset consolidation and allocation, as well as performance measurement, generally form the basis. Besides the content itself, format and layout are decisive elements. In order to explain complex investment topics, it is particularly important to create comprehensive visuals, with an adequate structure, an appropriate information density, as well as informative charts and graphics.

Doing it yourself or outsourcing it?  
How to start the process

Based on the goals defined by the family, an individual report has to be set up. So, the first question is: Who needs when what kind of information in what format? In practice, many reporting solutions run the risk of accidentally hiding the relevant statements in huge amount of data. Instead of maximizing the data in a report, the focus should lay on the appropriate calculations and information which enable asset owners to answer the relevant financial management questions. Nowadays, even sustainability aspects (ESG) have to be integrated. Regardless of whether an investment report is done internally or outsourced, the asset owner should pay attention to a set of criteria:

- Does the current asset structure correspond with the defined investment strategy?
- Does the return potential of the asset structure match the performance goal? What are the related risks?
- Which investment categories and investments have achieved what performance in a certain period of time?
- Did the wealth managers comply with mandate-specific guidelines set by the family? (Investment compliance of costs & fees, ratings, investment limits and other requirements)

#### Saving precious time

After the information concept has been written, a few more steps follow to producing a comprehensive investment report. There are quite a few software solutions on the market. However, before buying a tool, it should be checked if all requirements are met and the tool can be configured easily.

Is there an interface to insource all investment data and transactions on a daily basis automatically, or do some tasks have to be done still manually? Since families usually deal with multiple banks, it can be time consuming (and nerve-racking) to manage different interfaces. Innovative and independent providers bridge the gap, offering professional asset consolidation and investment reporting.

The range of services extends from the periodic production of reports to providing access to a real-time system and tools for the asset owner.

Heinz B. Rothacher is the Chief Executive Officer and president of the board of directors of Complementa AG. He joined Complementa in 2012 and is its sole owner since Dec 2016.

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# THE CHANGING NATURE OF RISK FACING FAMILY OFFICES

By Charles Hamilton Stubber, Senior Vice-President, Private Risk Management

As the profile of the family office develops alongside a more complex money management and investment strategy, so does the risk profile principals those offices face.

Many more family and private offices are branching into more sophisticated financial products and services. But the lawyers and financial professionals running the offices are retaining the risk management profiles they perhaps set up when they were significantly smaller in scale and scope.

Today's complex family offices need to be tackling risks head on. Family offices are becoming more directly involved with their investment decisions, and with the investments themselves, so they must be equipped with the tools to handle any potential downsides. Insurance is one such tool.

A shift to institutional-scale investments means institutional-scale risk

The staff profile of the family and private investment office is changing. What was once the job of a trustee or family lawyer now requires professional money managers who are experienced and qualified to invest in and manage complex financial products on behalf of one or several families.

The Global Family Office Report by UBS recently found that the bulk of family office executives reported that family wealth increased over the past year (70%). Campden Wealth Report estimated that the total assets under management of family offices worldwide now stands at \$5.9 trillion. Such levels put many family offices at the level of institutional investment firms, not private individuals.

This means that, even if the risk appetites of the family do not change, the risks facing those who manage their increasing wealth do change. Unlike the family lawyer, these new professionals most likely do not have the necessary insurance, and having come out of larger institutions, this will most likely be a key consideration.

A push for growth is exacerbating risk  
Family offices have always focused on preservation and



Charles Hamilton Stubber  
Private Risk Management

growth – and in an increasingly tough market, family offices are seeking growth more aggressively by participating in more complex investments with institutional markets in multiple jurisdictions.

But a push for growth on the part of the family means those managing their assets are exposed to more risk. In terms of emerging risks, UBS found that over half (55%) of family offices believe that we will enter a recession in 2020. That said, almost half of family offices are still preparing to capitalise on opportunistic investments.

So family and private offices are taking on more risk to achieve growth, which is shifting allocation strategies towards more complex products and services. For example, direct investments in private equity and real estate - one of the fastest growing allocations for family office investment - now account for approximately 28% of total family office investments, says UBS. This allocation is expected to grow in the coming years, as funds shift

into higher yielding but more illiquid assets. Illiquidity is a risk to family offices that may struggle to react to the needs and wants of the family if their assets are tied up for the long-term. With this change in focus comes additional risks that are more akin to private equity firms, and therefore firms would do well to look to how private equity professionals negate some of the risks involved.

Cyber criminals aim at UHNW families  
Cyber-crime is a growing concern for most institutional businesses. Every day, another business is hacked or held ransom. And as family offices increase their assets under management (AUM) and their complex exposures, online criminals are taking more notice.

Following investment risk, UBS recently found that the second largest risk, as ranked by 69% of family offices, pertains to the security of family data, its confidentiality and identity theft. In a similar vein, 'cyber' and 'personal security' were mentioned by 29% and 25% of respondents, respectively, as top risks to the family office, its staff or the associated family.

Social engineering, or 'phishing' as it is commonly known, is a real threat to all financial firms these days. Extortion is a growing concern for family offices, and targeted 'ransomware' attacks are fast becoming the norm. Furthermore, family offices are in possession of sensitive financial and personal data that can be used to extort the family themselves. Also, in this interconnected world, hacks into family offices can compromise UHNW families physically by revealing location information that could be of value to criminals.

However, family office's security controls requirements are much less stringent than most large organisations. A recent Schillings report: Private & Confidential: The Cyber Security Report, found that over a third (38%) of family offices have no cyber security in place to combat malicious attacks, even though more than a quarter (28%) of offices had suffered an attack.

Reputational damages come to the fore  
UHNW families and their family officers must also consider the non-financial pitfalls that they face. While investment and cyber risks are more straightforward to

assess, it's the 'softer' risks that need to be considered by family offices.

While reputation risk is not necessarily obvious to family office principals, they need to acknowledge that a poor choice in a family members' business partner or adviser could negatively impact a reputable family office. Similarly, personal relationships need to be considered should a divorce, blackmail or even embezzlement come to the fore.

Family office professionals that think they should only focus on financial decisions could be overlooking significant risks.

Think big to manage growing risks  
The biggest threat to a family office is not acknowledging that the office is a significant financial player. Focusing on the financial growth without considering the growing risk that is building alongside the business or assuming 'it won't happen to us' is a recipe for disaster.

Risk of personal liability, cyber-crime and cyber-attacks and reputational damage are as real to any family office as they are for a blue-chip multinational corporation. The difference is, blue chips are usually well-placed to manage the risk – it's time family offices prepare for the worst to build for the future.

Insurance is one of the solutions that will enable family offices to succeed. Different investment classes and strategies are changing attitudes to buying insurance. At Lockton, we provide targeted advice and solutions that help professionals mitigate risk and meet their business needs.

About Charles Hamilton Stubber  
Charles has over 35 years' industry experience from his previous senior roles in Private Client Risk Management for High & Ultra Net Worth individuals and families. He is principally involved in structuring, negotiating and providing new, innovative insurance propositions to family offices, individuals and the wealth management sector's clients.

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# THE CHANGING FACE OF THE FAMILY OFFICE – WHERE IS IT GOING?

by Dudley Edmunds

The concept of the family office has been around since the mid-1800s but has shown remarkably slow growth until relatively recently. Now, however, it's not just growing in terms of sheer numbers, but also in terms of sophistication, outreach, and activity. So much so that (if reports are correct), the Investment Bankers, the traditional first port of call for the family office looking for advice and execution, are beginning to get quite worried.

We're all aware of the increase in family offices from China, and also India, the emerging markets of the family office business, but coupled with this is the widening of the family office outreach in terms of jurisdiction and an ever-increasing sophistication.

Part of the increase in sophistication has been led by the tendency for family offices to hire well-seasoned bankers to run the business. No longer does the family rely on friends and relations to run the office and make the financial decisions based on advice from the investment banks. Increasingly, these decisions are being made by the CEO or CIO of the family office, in accordance with the mandate the family has given them. There's no one way to operate a family office, and the mandate given to the CEO or CIO of Office 'A' may be very different from that of Office 'B'. The mandate the CEO and other senior employees work under must be clearly and concisely set out and agreed to by all the family members with direct input into the office. I recall one senior banker who'd made the transition from private bank to family office, saying the biggest issue encountered was the 'interference' of one family member who was described as having 'sub-zero financial acumen!'

There's no point in having a seasoned banker on board if their expertise and knowledge are not fully utilised. As such, this is one of the key drivers behind the increase in sophistication and bypassing of the traditional route to deals and investment. Apart from the increase in direct investment, there's an increase in the number of family offices that will combine to facilitate 'Club Deals.' This is interesting, as whilst there's been a shift of focus from 'amateur' to professional, it's still a relatively tight group and often driven by a 'who you



Dudley Edmunds  
Culliford Edmunds Associates

know' approach, with the 'who' now being other former bankers, as opposed to members of the controlling families.

So, family offices have widened the outreach in terms of operations and jurisdiction. They have substantially decreased their reliance on investment banks, and there appears to be a very well-formed strategy to 'go it alone,' relying on in-house expertise and pooled expertise from family offices working together. With the family office being well-placed to cross borders and market sectors, this innovative and entrepreneurial approach is likely to increase. But can it last, or is this another case of the 'King's New Clothes?'

If we look back over the last forty years or so, we can recognise a very basic theme (i.e. the business isn't working, so let's get into something that is!) When commercial banks became less attractive, we saw banks that had never been investment banks start to refocus and reinvent themselves as investment banks. When investment banks started to lose some of the golden edge, then we saw banks, with little or no background in private banking or wealth management, start to reinvent themselves as the answer to the HNW and UHNW client's needs and concerns (there are, of course, one or two global banking groups that continually go in and out of

the private client business and never seem to get it quite right). But we have seen, over the last few years, consolidation in private banking and a number of banks realising they are simply not going to succeed in the market. Couple that with the various issues private banks have had from a reputation and performance perspective, and it has not been too surprising to see the rise of the investment boutique, some/many of which employed a multi-family office type wrapper to make them look more appealing. But underneath these changes has been the substantial increase, on an almost global basis, in true family offices, and that takes us right back to where I started.

The family office market has grown substantially in terms of numbers and sophistication and is heading in what appears to be the right direction. There is an increasing number of senior bankers looking to get into the family office business and bring their expertise and contacts and own ideas as to how the family office should operate. As one senior banker said to me quite recently, 'Get the right family office, and it will be like having my own boutique, but with little risk and no need to raise money!' That is an interesting way of looking at things.

So, the questions for 2020 are:

- How will the family office business continue to grow, and what will be the main jurisdictions?
- Will the family office model(s) change significantly, and perhaps out of all recognition?
- Will the family office become much more akin to a cross between a quasi-merchant bank and a quasi-investment bank?
- Will there be enough really suitable bankers to populate the family offices?
- Will family offices become so far removed from the original concept that the whole area will eventually split between 'traditional family offices' and 'The New Family Office Concept'?

I am sure everyone will have an opinion, but does anyone really have the answer?

Dudley Edmunds is a veteran of the private banking and wealth management consultancy business. He advises his clients on issues from start-up, business expansion and strategic direction. He recruits, for his clients, senior bankers and financial specialists primarily, but not exclusively, within the EMEA area.

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# TRAVEL RISK MANAGEMENT

by Michael O'Rourke

On the night of November 13, 2015, as terrorists were attacking multiple targets across Paris, San Francisco-based Salesforce had 451 employees unaccounted for in the City of Light. Would you know what to do if a member of your family were unaccounted for under similar circumstances?

Travel Risk Management (TRM) helps you plan for the worst and guides your actions should the worst occur. Additionally, a properly designed and implemented TRM program helps you meet your Duty of Care obligations to those traveling on your behalf. In the family office environment, this includes office employees, domestic staff, and possibly even your agents and advisors.

Broadly defined, Duty of Care is an employer's legal and moral obligation to take prudent measures to protect workers from foreseeable risks in the workplace.

Applying this legal obligation to protect traveling employees varies from country to country. The United Kingdom, most European Union countries, and Australia have laws in place stating Duty of Care applies to workers traveling abroad on behalf of their employers. The United States has no specific legislation applying to employers in this regard, but I would argue the moral obligation remains.

The cost to family offices lacking Duty of Care plans for traveling workers can be catastrophic and include: Loss of life, serious injury, or emotional distress; unplanned medical evacuation costs; economic damage; business interruption; criminal charges in some countries; civil fines and penalties; cost of litigation; and damage to family name and reputation.

Due to its robust TRM program, Salesforce accounted for each Paris employee within a few hours. All were safe and unharmed.



Investing in TRM now is clearly many times less expensive than the cost of a poorly managed crisis later. Getting started is not as daunting as it might seem at first. If your family office is smaller, or lacks expertise in some areas, outsourcing your TRM program is the correct move.

## Identify Stakeholders

In-house travel managers and security directors top this list. Opinions differ on whom should be placed in charge of developing the TRM program, but it is usually one of these two. I favor the Security Director in this effort if they possess the requisite experience in overall risk management. Your legal team must have a seat at the table. Public Relations should be involved at this stage, as they will be called upon to craft communications during and after a crisis.

Travel Risk Management program success requires executive level support. When the family office principal throws his or her weight behind approving the program and demanding compliance, there is no higher level of commitment. Executive leadership can not only allocate resources during start up but, critically, shift organizational priorities during a crisis.

## Establish Strategic Policy

Your TRM policy must demonstrate and focus your family office's commitment to providing adequate Duty of Care to your traveling employees. The policy is your strategic vision for the program. It explains the "why" of TRM, assigns responsibilities to key individuals and teams, and covers the general "how" of implementation.

## Assess Risk

Adopting a method of assessing risk is essential to understanding the security, safety, and medical risks in those parts of the world where you do business. Included is not only initial intelligence collection, but an ongoing effort to maintain a clear operational picture. Intelligence collection is often outsourced, but internal assets such as reports from the field, site visits and debriefing returning employees should not be overlooked.

Individual travelers are a key risk assessment factor. Is the employee or family member healthy enough for travel to austere locations where medical care is scarce? Are there other foreseeable risks that might disqualify a traveler from one assignment, but not others?

Risk Assessment is a living process, always in motion, devouring new information and constantly challenging previous assumptions.

## Planning, Policies & Procedures

Utilize the risk assessment results to develop general and location specific TRM policies and procedures that govern travel management and the traveling employees. This can include how emergency notifications are pushed down to travelers, or up to the family office from the field and employee check-in requirements during an emergency. Crisis management plans—previously rehearsed—dictate how the family office reacts to and manages incidents and emergencies.

## Educate, Train & Implement

The new TRM program must be clearly communicated across the enterprise at all levels, including reaching out to those already assigned or working abroad. Employees and managers on both sides of TRM require training as the new policies

and procedures are brought online. Poor execution here will likely result in internal compliance issues, which can rightly be traced back to management's lackluster TRM rollout.

## Analyze, Re-evaluate & Start Over

After an organization has activated its TRM program, the results must be measured and analyzed to improve efficiency, effectiveness and compliance. Lessons learned must, in fact, be learned.

Throw away what doesn't work, and fill identified gaps or shortcomings. Policies and procedures should be modified in a thoughtful manner based on a careful evaluation of the data.

Once brought to life, TRM is not a static monolith. Drop the idea that TRM has a beginning and an end. Rather, think of it as a rotating circle where one part of the process leads to the next, which leads to the next and so on in an endless loop.

How smoothly your TRM program meets your legal and moral Duty of Care obligations is tied directly to how well you start it rolling. Family office leaders to whom the TRM concept is new should not be afraid to look outside their companies. Security consultants understand, or at least should, that each organization requires a bespoke Travel Risk Management plan, rather than a one-size-fits-all approach.

Michael O'Rourke is CEO of Advanced Operational Concepts, an international security consultancy providing bespoke security management solutions of select clientele.

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# JET OWNERSHIP

by Steven Warner-Gould, Head of Private Jets at Air Partner



Whilst jet cards and fractional ownership are both more economically viable than investing in owning your own aircraft, it can be difficult to understand which flying model will best suit your travel requirements. In this article, we discuss what to look for when deciding how to fly by private jet and the key financial and commitment differences between jet card programmes versus fractional ownership. We compare these private jet charter options so you can understand what would best suit you or your business.

## Commitment

In a time of fluctuating economies, a jet card offers the short-term

commitment many conscientious consumers are looking for. Fractional ownerships, on the other hand, require around a three to five-year minimum contractual commitment, which is a substantial obligation unless a buyer can predict their travel requirements for the next five years or so.

In comparison, the JetCard programme Air Partner offer is an agreement rather than a contract. This means should your travel requirements or financial priorities change at any point, you have the flexibility to leave the programme when you need without penalty, and you will even receive all your remaining funds back.

## Cost

Fractional ownership greatly reduces the cost of aircraft ownership, but regardless of whether you use your flight hours or not, monthly management costs for fuel, staff and other hidden expenses still apply, as well as the possibility of a remarketing fee when you eventually sell your share. You must also consider the effects of having capital tied up in a depreciating asset as the aircraft ages. The initial investment for 1/16 of a jet is a minimum of hundreds of thousands of pounds. On the other hand, jet cards generally are paid for by the hour. As an example, the Air Partner JetCard programme offers fixed

hourly rates that are fully inclusive, which means there are no additional management, membership or running costs, such as positioning, peak day or high-density-airport charges. You only pay a fixed flying time that includes 6 minutes' taxi time either end. The hourly rates are fixed for the longevity of your agreement, with no annual increases. Unused hours in a fractional owner contract usually expire after 18 months, whereas jet cards offer the flexibility for the hours to be valid in perpetuity, as well as being able to fully refund your account's unused hours if you ever wish to withdraw from the agreement.

## Flexibility

One of the most prominent concerns with fractional ownership is the competition between partner owners for usage during peak seasons. Bidding for availability is a waste of valuable time. Air Partner's JetCard however guarantees availability within 24 hours of notice, as well as no peak day charges in Europe. Jet cards also offer the advantage of being able to tailor the jet type and experience to each specific journey as you have no commitment to any specific aircraft. With Air Partner's JetCard, you can choose between six categories of aircraft, with no penalty charges to interchange between them. As opposed to fractional ownership, where your funds are tied in with one specific aircraft, you have more flexibility to use whichever category best suits your journey.

## Summary

While fractional ownership is a good option for someone looking to reduce the operational costs of owning a jet, the long-term contract will restrict your ability to flexibly control your schedule and assets. So, if your time is of great value and you wish to experience the convenience and luxury of a private jet without the unforeseen costs and the complications of bidding for availability, then a jet card would be more suited to you. At Air Partner, whether you're flying for business or leisure, we pride ourselves in a JetCard programme that offers far more flexibility and freedom than traditional fractional ownership models. Unlike similar jet card programmes, our JetCard offers roundtrip discounts, no expiry date or annual increases on your purchased hours and no peak travel surcharges. If flexibility and transparency are important to you then get in touch to understand how you can benefit from our JetCard programme.

## About Air Partner

Air Partner is a leading global aviation group listed on the LSE. In addition to offering a JetCard programme, the group provides charter services across private jet charter, group charter, freight and aviation safety consultancy and training. The company was established in 1961 and is the first publicly traded air charter company, so with continued financial strength, you can rest assured your travel funds are secure. The Air Partner JetCard was one of the first private jet membership programmes when it was introduced 14 years ago and is ranked the most flexible programme in Europe and the US by Conklin & de Decker, the independent aviation consultancy.

[www.airpartner.com](http://www.airpartner.com)

# FAMILY OFFICES CAN HELP LEAD ON STEWARDSHIP

By Geoff Cook, Consultant and Independent Director

On the face of it, a call in June this year for the introduction of a wealth tax from some of the US' wealthiest individuals including George Soros, Facebook's co-founder Chris Hughes and Molly Munger was perhaps one of the more surprising developments as the US presidential trail got under way.

A closer analysis, though, suggests this shift in approach shouldn't really be that surprising. The open letter in question, which proposed that a wealth tax could 'help address the climate crisis, improve the economy, improve health outcomes, fairly create opportunity, and strengthen our democratic freedoms', is actually symptomatic of changing attitudes amongst the wealthy towards their place in a world of evolving societal norms.

It's an attitude that is informed, quite rationally, by decades of experience. Recent history tells us that, in the aftermath of economic downturns, governments have always sought to cast blame on wealthy individuals, wealthy families and the agencies of the wealthy – the wealth advisers, the investment banks, the private client lawyers and the tax advisers – in order to maintain appeal to the electorate at large.

Only in the past twelve months or so has the world really emerged from the global financial crisis – a crisis that started in 2008 and that is still very much in the minds of individuals and their families. Although it was a crisis that has its roots in widespread unsustainable property debt, blame was attributed to a financial system that was unsustainable, geared towards rewarding the privileged few, and that left the 'man on the street' picking up the pieces through the public bailout of banks.

It fuelled resentment against banking institutions and, by association, wealth advisers, speculative investment managers and the wealthy themselves.

The repercussions of this are still being felt today – cuts in public services in the UK as a result of the financial crisis and an era of austerity, for instance, have driven further resentment, a backlash against globalisation,

a move towards protectionism and a political agenda that has become increasingly polarised – a split world symbolised by 'Trump's wall': Remain and Leave; globalisation and protectionism; onshore and offshore; rich and poor.

## Battleground

Wealth has become the new battleground, and the wealthy are acutely aware of that, and responding – not in defiance, but in an attempt at understanding.

Stewardship has become the watchword as wealthy individuals and their families look increasingly at strategies that can demonstrate social conscience and that can go some way to restoring trust and promoting constructive dialogue.

It's a trend that is highly pertinent to family offices and an area in which family offices have a real opportunity to take a lead. For some years, for instance, philanthropy, ESG, ethical and impact investing have become increasingly central to the strategies adopted by family offices - the Global Family Office Report, for example, suggests that 39% of family offices are projecting when the next generation takes control of their families' wealth, they will increase their allocation to sustainable investing.

Further, the same report indicates that more than half of a family office's investment portfolio has exposure to alternatives, including private equity and infrastructure investment – asset classes that have potential to bring about real positive change, particularly given that family offices are currently reported to be sitting on significant volumes of dry powder, ready to invest.

With family offices becoming more and more institutional in their approach, as the next generation of wealthy individuals take control of family wealth, and as a new breed of entrepreneur emerges, the 'old' principles that guided the 'traditional' family structure are being challenged, putting family offices in a strong position to challenge the more established institutional investors such as pension and sovereign wealth funds and lead the charge towards socially conscious

stewardship – not only amongst the private wealth community, but more widely too.

## Adapt

There are some fundamental issues for family offices to consider in light of these trends that go right to the heart of a modern approach to family wealth management. Where should they invest? How should they behave? What is their public image and reputation? How can they use their assets to make a positive contribution to society?

These might be new questions for some families, but they are increasingly important given the new context family offices operate in and their potential influence.

If they don't adapt, the costs for families are high. The ramifications of investment and philanthropic activity needs to be carefully thought through, for instance, if it is to have the desired positive impact and win back the trust of the people - as the wealthy French donors to Notre Dame discovered earlier this year. Traditional models of wealth and succession planning are not

enough and stewardship has to be at the core of a family office's operation – it needs to be alive to the subtleties of societal trends, have the right structures and advisers in place to support their needs, and bring their offering together in a much more holistic way that recognises the sensitive and complex dynamic between themselves and society more widely.

There's no doubt that the wealthy have shown a greater self-awareness in this new era of stewardship and family offices have a real opportunity to take a lead in this area. Their investment potential, influence and capabilities put them in a strong position to demonstrate a genuine social conscience.

If they don't do that, they will put their own operations at real risk; but if they can adapt successfully, then they can play a key role in breaking down some of the key economic, political and social barriers of our time.

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# A REVOLUTION IN ESG INVESTING

By Oliver Gilly

As a new generation of institutional and high-net-worth investors seek to do the right thing for society and the planet, they are demanding investments that are ESG compliant.

But the supply of sustainable investments — those that consider societal impact or incorporate environmental, social and governance criteria into their classification process — isn't keeping pace with demand.

A report published by Morningstar last year found that the sustainable mutual fund universe accounted for only about 3% of all funds and less than 1% of total assets under management. Within the fixed-income arena, ESG bond issuance makes up only a slight percentage. Nonetheless, European institutional investors, who are in the vanguard of the sustainable investing movement, are expected to allocate as much as 20 percent to ESG-compliant investment strategies by 2025. Institutional investors in other parts of the world are heading in that direction, too.

And demand is growing among retail and high-net-worth investors, with surveys showing that significant majorities of people around the world have a desire to invest in companies with strong environmental, social and governance standards. Millennials and women, in particular, tend to have a strong affinity for sustainable investing.

All of which suggests that the imbalance between growing demand for ESG investments and limited supply won't persist for long.

In fact, sustainable funds can already be found in 56 different Morningstar categories, from world large-cap to diversified emerging markets to intermediate-term bond funds, and even ETFs. As ESG investing vehicles multiply in the coming years, institutional

and high-net-worth investors, in particular, will have unprecedented opportunities to integrate sustainable investing into their portfolios — not only traditional stocks and bonds, but also a diverse array of low to non-correlated alternative assets.

## The Rise of Sustainable Investing

The recent history of sustainable investing points to the revolution to come. Fifteen years ago, when the United Nations Global Compact first introduced the concept of ESG investing, the main focus was on asset managers and their ability to influence corporate behavior. A group of the world's largest institutional investors came together under the auspices of the UN and launched the Principles for Responsible Investment, a "voluntary and aspirational set of investment principles that offer a menu of possible actions for incorporating ESG issues into investment practice" (today, nearly 1,200 signatories overseeing more than \$70 trillion in assets are signatories).

Even as ESG moved into the mainstream, the focus until recently remained squarely on stocks. This equity orientation was the result of a host of practical issues (nicely summarized here by Pimco), including a large body of equity-oriented ESG research, the launch of numerous equity benchmarks and the generally clearer connection between equity ownership and corporate engagement on ESG issues. That is rapidly changing. Market participants now recognize that ESG issues present material credit risk — and research has shown that competitive advantages can flow to companies that properly manage sustainability issues. For these reasons, ESG investing is shaking up the fixed-income world, triggering demand for, and the launch of, a range of new investment products enabling bond investors to express a sustainability tilt. Indeed, the number of sustainable bond funds has risen rapidly, from 34 taxable funds in 2017 to 58 last year. And it is far from a monolithic category:

these funds run the gamut from broadly diversified bond index funds to actively managed products that engage directly with issuers on ESG issues to green bond funds that provide exposure to projects with environmental or climate benefits.

## A Wave of Innovation

For institutional and high-net-worth investors who can invest outside of the 1940 Act structure, even more opportunities are in the offing. ESG investments now run the gamut in sectors that include real estate (think fully sustainable, eco-friendly resorts), social impact vehicles such as blue bonds for marine conservation and gender bonds to promote financial inclusion for women — even film, television and theatre projects that put the "s" in "social" by amplifying female voices in entertainment. Activist hedge funds are also taking up sustainable investing.

Depending on their structure and the nature of the underlying assets, sustainable private investments have the potential to generate attractive returns with legal safeguards that help to mitigate risk. They may be structured as bonds while providing a performance-based kicker enabling investors to earn a return higher than the coupon and principal if the underlying assets perform well. Some deals may be securitized as exchange-traded products (ETPs) and listed on exchanges, providing a measure of transparency not typically found in most private equity-style investments. Such investments may also offer tax advantages for certain investors, depending on their domicile.

## True ESG vs "Greenwashing"

Of course, not all ESG investments are created equal from a sustainability perspective. Large corporations appoint chief sustainability officers and set targets for progress on ESG issues that are well-communicated publicly. These efforts are sometimes perceived as "green-washing," as compared to investments for specific sustainable projects in real estate, farming or other real asset development that are true, single-line

ESG investments. These opportunities may be packaged as traditional asset classes or involve private equity funds or exchange-traded products (ETPs) exclusively designed to invest into single or multiple ESG projects, in conformity with specific exclusionary criteria on items such as military weapons, live cattle transport, palm oil, fossil fuels, whaling, alcohol, tobacco, and/or lending products or practices that could be considered predatory.

Fortunately, investors do have independent guideposts. Much like corporations are assigned credit ratings by firms like S&P Ratings or Fitch, ESG investments can earn independent ESG ratings, known as Second Party Opinions (SPOs), by a new breed of specialized analyst agencies such as ISS-Oekom or Sustainalytics. ESG ratings include an ongoing monitoring service to ensure that proceeds are allocated in accordance with stated ESG principles, and the analysis is based on the Green Bond Principles and Social Bond Principles, as well as the Sustainability Bond Guidelines issued by the International Capital Markets Association (IMCA). IMCA serves as Secretariat, assuming administrative duties and providing guidance for the governance of the Principles.

These days, integrating ESG into both public and alternative investment portfolios isn't about waving a green flag and shouting "Save the Planet." Now more than ever, there's a solid economic argument for investing sustainably — and an increasingly diverse array of compelling investment vehicles through which to express an ESG conviction.

Oliver is Founder and Managing Partner at Black Tulip Asset Management, a Miami-based alternative asset management firm and its media investment arm Black Tulip Media. With over 22 years of experience in Europe, Asia, and the Americas, Oliver is specialized in strategic advisory, mergers and acquisitions, and solutions-driven transaction work, and has closed over \$2 billion USD across the capital structure.

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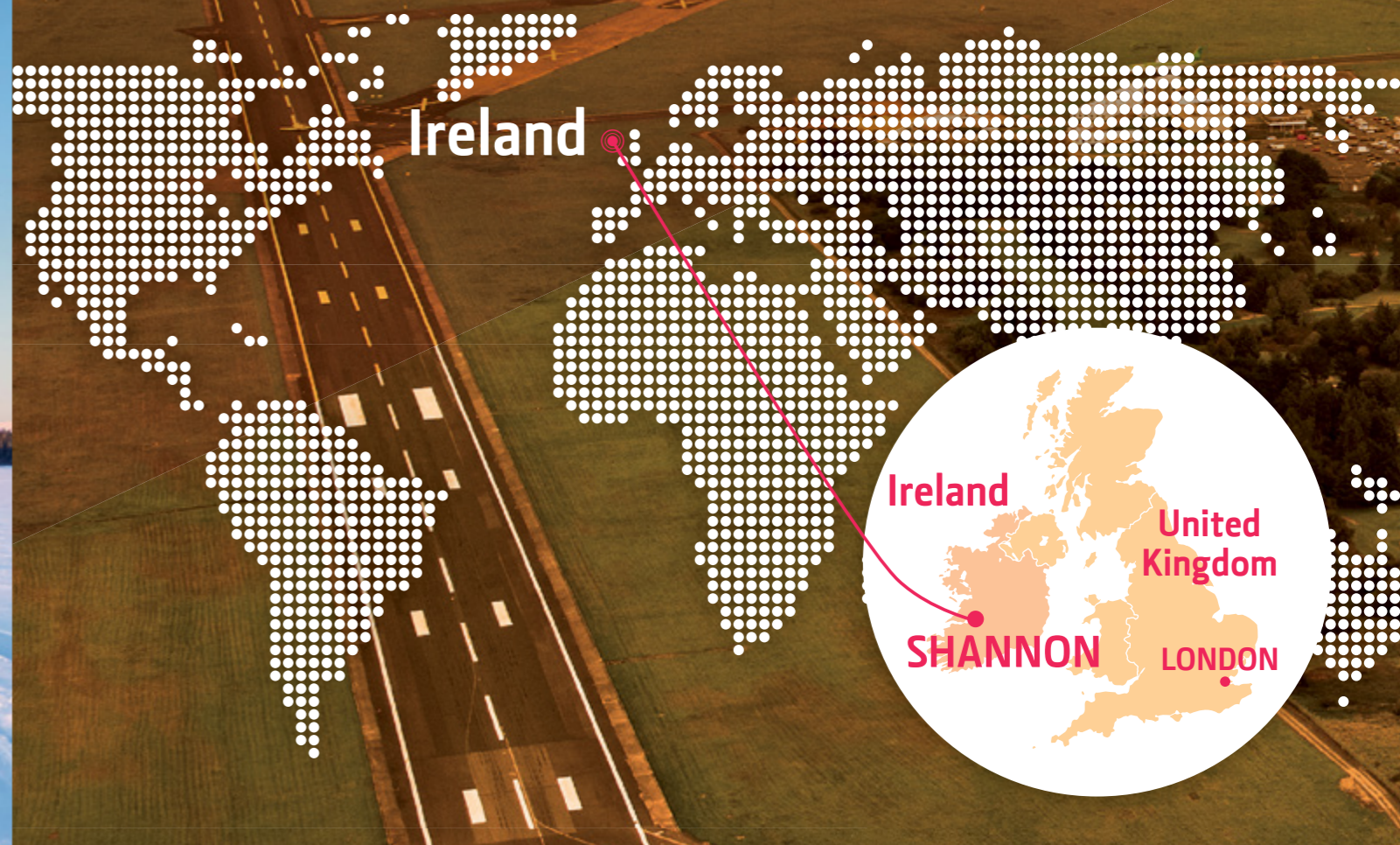
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# WHY DOES THE FAMILY OFFICE SHY AWAY FROM SOCIAL MEDIA MARKETING?

Social media has played a crucial role in boosting businesses and revenues across all sectors and industries. From automobiles to banks and small businesses to large corporates, everyone is riding the social media marketing wave and trying to make the most of it.

Despite all the success stories, when I meet with family businesses, they still seem to shy away from social media marketing, be it on LinkedIn or other platforms. There's a notable glint of fear in their eyes! Why does the family office sector still find social media as a marketing platform something of a grey area, and how can they leverage it to boost their business?

## From no phones to smartphones everywhere

Technology has been growing by leaps and bounds each year. The past decade alone saw exponential growth in the sector and witnessed smartphones taking over feature phones and social media dominating traditional entertainment.

However, the older generations of members in family businesses come from a time when there were no mobile phones or they were still in their infancy. In their place, there were letters, posters, hand-drawn billboards, and of course, the good old face-to-face talk (never, of course, to be underestimated as a crucial element of a client generating strategy).

This generation believed in building relationships and keeping it real. Their approach matched the thoughts of their customers. So, in short, it was a win-win.

In these past few years, the advent of smartphones and the Internet have changed the way professionals and customers interact with businesses. What has also evolved is how customers, current and prospective, form opinions about brands. They like to stay updated on the latest digital developments and want to remain connected. In fact, today, it's more important than



By Melanie Goodman

ever for businesses to keep connected with their customers.

Businesses earlier faced more localised opposition. With the Internet erasing geographic boundaries, competition has now become even more intense. How do family businesses that once thrived in their community beat this kind of game? How do they keep their story and business alive when their competitors seem to outperform them?

The answer is short and simple: Social media marketing. It's time for family businesses to understand the importance of social media marketing and start using it.

## Enrolling the earlier generation into the idea of social media marketing

Here are a few pointers that can help the earlier generations accept and welcome social media marketing as a legitimate form to boost their business.

## Share content through storytelling

One thing that the earlier and current generations both enjoy is sharing stories and anecdotes from their lives. Instead of limiting these sessions to face-to-face meetings, it's worth documenting them in the form of blogs, vlogs, short posts, photos and quotes, and adding them to your website and sharing this content over social media platforms.

This will help conserve all this content in a digital format and give the younger generation an idea of what all went into making the business a success. They'll learn from these stories and find them inspirational.

Storytelling also keeps the beacon alive for the family business. It's a great way to pass on the knowledge earned to the younger generations and connect with them in the way that's familiar to them, through social media.

Sharing learnings through social media platforms such as LinkedIn is a good way to establish thought leadership in the industry. It's something both customers and upcoming entrepreneurs enjoy.

## Expand your business while sitting in your family office

One of the most significant benefits of using social media for family businesses is that one can beat the competition with the power of the Internet. Family businesses that primarily belong to the trust and wealth management sectors have mainly been building their client base through networking and word-of-mouth promotions.

If you are one such company, you must have found it preferable to work with clients in your state, canton, or country (in short, a localised target audience). However, wealth and trust management are areas of business that could benefit people further afield. One could potentially use the know-how collected over the years to build strong portfolios overseas.

After all, the end goal of any business is maximising

the bottom line, which can be done easily by increasing the radius of service. Through social media marketing, more people can be reached globally. LinkedIn presents the perfect platform to find investors, (U)HNWIs, and potential clients looking for wealth managers with proven experience in the sector.

## Engage in live conversations and boost thought leadership

Being a family business doesn't mean you don't need or can't achieve the levels of popularity that large corporations enjoy. Thankfully, social media provides a level playing field for all.

Earlier generations might feel that social media marketing is more intrusive and less personal. Given the time when in-person pitches and door-to-door direct marketing were the norm, this thought is justified.

However, hosting live Q&As and conversations on social media platforms gives the same benefits as in-person discussions used to do. In fact, the former gives you access to a much broader audience.

Answering queries of customers/followers via live sessions boosts credibility, brand recall and followership, and showcases you and your 'family business brand' as a thought leader.

These are just a few pointers that can help you see the relevance of social media marketing, in particular within the Family Office sector in today's context.

Setting down a proper social media marketing policy, complete with dos and don'ts, will help make the most of this disruptive marketing method. Starting now and keeping building on it will take your family business brand to the next level.

Melanie Goodman is a former lawyer who lives in Geneva, Switzerland. She is the award-winning founder of social media marketing agency Trevisan specialising in financial services with a particular niche in the private client/HNWI sector. [www.trevisansocial.com](http://www.trevisansocial.com)



# SPANISH TAX ISSUES

by León Fernando Del Canto

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

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

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

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

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



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

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

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

This year the Spanish tax authorities have taken it a

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

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

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

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

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

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

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

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

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

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

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## SUPER-PRIME PROPERTY TRANSACTIONS

Super-prime property transactions are up, but is this a release of pent-up frustration, or is it a bounce from the bottom of the market? Is it wise to wait and see if a Tory government retains power and comes through on the expected stamp duty reductions? Whatever the key drivers, now could be a good time to invest in prime central London property.

Since the hike in stamp duty for properties over £2m, the general consensus is that this has been the foremost contributing factor to a drop in super-prime house prices over the past few years. Add to that the uncertainty surrounding the UK's departure from the EU, and some would say it 'killed the market.' Speaking to colleagues 18 months ago, they were bemoaning lack of realistically priced stock and a dearth of buyers. It has all changed this year.

Boris Johnson's mention in June of a planned drop in the top rate of stamp duty might have led some potential buyers to hold off until this becomes a reality. However, the signs at the moment are that this might be leaving things too late. Increased demand over the past two quarters of 2019 has prompted transaction numbers to rise and buyers to return to the market, some citing a buyer to stock ratio not seen since 2014 (property asking prices at £10m+). Year on year values are still down by nearly 5%, but research has shown 0.7% price increases month on month. What is fuelling this? It is entirely possible that some buyers are simply not willing to wait any longer for Brexit to conclude before committing to a purchase. We think for others it's a combination of a levelling-off of prices and a continued low in sterling, meaning the maths is working out in favour of overseas buyers who are now searching with some determination. It is most likely a combination of various factors, but regardless, the fact remains that there is a demonstrable improvement in the prime and super-prime housing market that has been sustained for several months.

### Is it a micro-bubble?

In the 20 years I have been involved with London property, the key drivers behind the market have not

changed and are unlikely to in the future. The rich culture, heritage and architecture of London, coupled with world-leading educational institutions, are sufficient to attract investment in the capital. If market fluctuations and currency uncertainty in the UK or abroad mean that investment becomes more financially advantageous, this is an obvious bonus. With cumulative falls of some 20% in values, some stock is certainly looking far more attractive now than three or four years ago.

It must be said that post-election turmoil (some might argue it cannot get much more tumultuous than it is already) may put the brakes on and soften the spikes we are seeing. Having said that, the resilience in London house prices has, and continues, to make it a haven for both UK domiciles and overseas investors. As we saw with the crash in 2008 that wiped out the markets, savvy foreign investors were able to capitalise on the chaos, some picking up portfolios worth a fraction of their asking prices just six months before. Some stock is looking like an enticing opportunity. The key for most, however, is about finding the right property, and with rising competition, this might be a little trickier than one might expect.

### The sting in the tail.

As the two largest political parties vie for votes and air-time, we are hearing that following a consultation and input from the Mayor of London, overseas buyers are to be hit with an additional 3% stamp duty if the Conservatives come to power. It is somewhat unclear if this makes overall stamp duty lower (once we take into account any reduction). What is clear, however, is that the London property market would be unrecognisable if Labour strong-arms a move into power.

The immediate future may seem somewhat uncertain, but when isn't it? In the early 2000s, I recall talking to a client who told me the market was going to crash and that getting into the London property market was too big of a gamble; if only I could talk to him now and see how his other investments have performed.

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# HOW TO ADD VALUE TO THE NEXT GENERATION?

by Seth Spreadbury, National Family Office Practice Leader, Marsh & McLennan Agencies

## A good single family office is a reflection of the family it serves.

When created, it is a custom fit solution whose structure, service offering, and communication meet the needs of the family. But when the family, as a client, evolves, how does the family office adapt to the new needs, demands, or preferences of its clientele? How does a single family office, designed for one generation, stay relevant when it's serving the subsequent generations?

To answer these questions, I spoke with representatives from 16 multi-generational single family offices to discuss how client expectations and demands have shifted throughout generations, and how the family office has shifted its service model in response. We also spoke about how the perceived value of the family office has changed between generations and what the family office has done to remain integral to future generations.

## Evolved Requirements

### More information

Amongst almost all of the family offices I spoke with, the service model was initially investment-oriented. While not single purpose entities, the family office was driven by investments first, with other services, such as financial advising, wealth management, tax and accounting, estate planning, and administrative services ancillary. When considering who created this first iteration of the single family office, it makes sense that the wealth creator focused on continuing to create and grow additional wealth.

In the succeeding generations, the expectation of services provided has grown. Newer generations are more focused on wealth management, rather than investing. Where the initial generation may have been deferential on investment activity, later waves of family clients demand to be more involved in all the processes.

### Structural change

In addition to subsequent generation's involvement, communication expectations have shifted; as the clients become more involved in each service, they require higher details and more frequent contact to feel informed. As one family office representative stated, "The days of reviewing numbers 'the old-school way' are over. The younger generations are demanding more graphs, visuals and higher level analysis and analytics."

As a result, single family offices that were created to be investment partners for the family have needed dramatic shifts in structure. The growth in generations usually means growth in volume of clients, and the correlating increase in staff reflects the change in perceived value. Family offices have added staffing in financial planning and advising roles, and in some instances they have externalized the bulk of investment work to outside service providers.

### More and different communications

Beyond the structural updates, the biggest change in service offerings has been communication. In reporting to new clients, family offices have focused on more visual communications, such as charts and graphs. The frequency and detail of communication has increased as well. Family office independence has dwindled, as clients demand complete transparency and to be involved in nearly every decision.

Further, client communication has become a two-way street. Family offices have come to expect communication at all hours of the day and have adjusted schedules around the family needs. Additional communication avenues are being utilized. Gone are the days of the quarterly review. Now, text messages, emails, phone calls and web portals are used non-stop.

### What's on the Horizon?

As family offices continue to evolve, the need for more boutique solutions will increase. As one family office

executive said, "In the age of instant communication, where younger generations are increasingly involved in family office decisions, the ability to answer any question at a moment's notice will be a crucial part of the family office service model going forward." Increased development of technology platforms will be vital, and the advice provided through those platforms is going to become more and more personal. When contrasted with the original, investment-focused family offices, the new service model is going to be more personal and intimate and include consultation on technology and personal cyber security, individual careers and specific goals.

A family office that is successful at continuing to provide value to new generations will need to be strong in areas where they previously did not focus. This will include building relationships with clients, being transparent communicators, and being tech savvy. In addition to an overall family plan, each client will have an individual plan, focused on their personal goals, including careers, business endeavours, philanthropy, and direct investing. This process will need to be planned and start early, and

educating not just the new generations, but previous generations, on what that family office succession planning will look like will be vital. The demands on the family office will be greater than ever before, and as a result, intelligent staffing design, as well as efficient use of external help, could be the biggest differentiator among those single family offices that meet the evolving needs of clients and those that don't.

### A Whole New World – Where's the Risk?

With the dynamic world of family offices and the ever-changing needs of family office clients, successful family offices will be broadening their service offering, offering a more individualized approach, and increasing communication and technology. Change is never easy, and to make sure a family office is appropriately insured for growing pains, expert advice is needed.

Seth Spreadbury serves as the National Family Office Practice Leader for Marsh & McLennan Agency, consulting hundreds of single and multi-family offices on risk.

[www.marshmma.com](http://www.marshmma.com)



# HOTEL INDUSTRY EXPECTS FURTHER GROWTH



**The hotel industry is investing: 1 billion € will be spent on new hotel projects in major cities in Central and Eastern Europe next year, 400 million € in Austria and 4 billion € in Germany. 300 international hotel experts discussed current industry trends in Vienna.**

Further growth in the hotel industry was the central theme of the INTERNATIONAL HOTEL INVESTMENT & DESIGN CONFERENCE in Vienna, at the Hotel Andaz Vienna am Belvedere. On Thursday, November 7th, 2019, more than 300 representatives from the fields of design, architecture, investment & development, operations and consulting discussed current global industry trends and their effects on hotel investment.

Participants included leading industry players from Hyatt, Accor, Oyo, GBI, UBM Development, Signa Real Estate, Fauchon Hospitality, Hilton, Christie & Co,

Arbireo Hospitality Invest, Erste Group, Radisson and Louvre Hotels.

Keynote speaker Steven Kuhn, a decorated U.S. Army veteran and successful author and consultant, spoke about the importance of change based on his personal story during the Iraq war: *"You can't control the changes that are coming. The bigger the challenge, the bigger the potential for change."* His advice to executives: *"You need to create space and trust for your team to drive your vision."*

The panel "Transforming Hospitality from a Global Perspective" was moderated by Marloes Knippenberg, from Kerten Hospitality, and discussed the major drivers of global change. "Disruption happens from the outside, so you have to become multidisciplinary," emphasized brand strategist Matthias Huettebraeuer. Shine Khajuria, Product Manager of the Indian Oyo hotel

brand, a leading example of driving transformation in the hotel industry, said, "Oyo is a hospitality company with a very strong focus on technology." Oyo is currently the fastest growing hotel chain in the world without owning or operating hotels.

## The importance of the wow moment

The architecture and design panel vividly discussed the importance of latest trends: "It's all about the wow moment, the Instagrammable moment," said Ben Martin from HKS Advisory Services. Thousands of Instagram-Selfies posted by guests in the cool lobby, the rooftop bar or poolside can significantly relieve the marketing budget of a hotel. *"It is important to create experiences for people's memories, and for the guests to have Instagrammable moments,"* said architect Vitalija Katine, from the London design firm Jestico + Whites.

## Projects in big cities

The investor panel showed that the hunt for the best deal is not just a bargain hunt in the growth region of Central and Eastern Europe (CEE). Investors and hotel developers are concentrating on projects in big cities and "mature markets," said Martin Löcker, of UBM Development. These markets have the advantage of being liquid. "If people want to get out of their assets, in Poland this is possible. The Czech Republic is also a very good market," he said. In addition to the investment magnets Warsaw and Prague, Bucharest and Budapest are more recently attracting a lot of investment. However, the Central and Eastern European market still offers a lot of space to develop: According to experts, the European hotel transaction market amounts to 20 to 25 billion euros per year, of which around 1 billion € is invested in the CEE region, 400 million € in Austria and 4 billion € in Germany according to Löcker.

A highlight of the dense conference program was the presentation of the Brand Award by the students of the Modul University Vienna: The Millennials chose Park Hyatt Hotels as the most attractive luxury hotel brand. The second and third places went to the Six Senses Hotel Resort Group and the Hotel Sacher.

"There was a strong interest in sustainability-related topics this year," said conference organisers Brigitte T. Gruber and Tanja Millner. The experts on the

Sustainability Panel were looking for solutions to improve the energy efficiency of hotels. The industry's goal is to reduce emissions by 60 percent by 2030 and 90 percent by 2050. *"We have the technology,"* said Willy Legrand, Professor at IUBH Campus Studies. Ricardo Moreira of energy consultant XCO2 advised how to communicate green initiatives: *"Let's trust the consumers. They are intelligent. Give them the data of energy consumption per room, and benchmark that."*

The final point on the conference agenda: *"The Making of Hotel Andaz" – from ground zero to full operation of Vienna's new design hotel.*

On the eve of the International Hotel Investment & Design Conference, the organisers welcomed their 60 sponsors and speakers at a very special place in Vienna. Hotel Magdas is a successful social entrepreneurship hotel project. The 91-room hotel employs 35 staff members from 20 countries, including 12 apprentices. The majority of the employees have a refugee background.

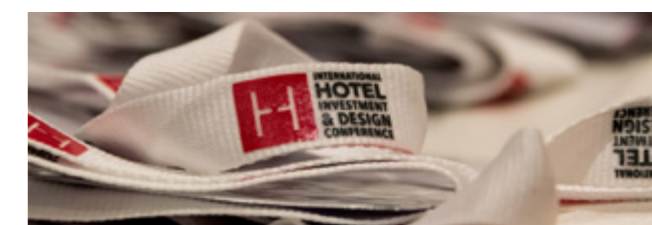
At the end of the conference, the date of the next INTERNATIONAL HOTEL INVESTMENT & DESIGN CONFERENCE was announced: 12th November 2020.

## Event organisation

The INTERNATIONAL HOTEL INVESTMENT & DESIGN CONFERENCE was organized for the first time by M + G Eventorganisation GmbH. The two managing directors, Tanja Millner and Brigitte Gruber, have been members of the organizing committee for many years. This new structure guarantees an independent event platform.

The programme of this year's conference was developed together with a top-class Advisory Board headed by Ben Martin, from HKS Advisory Services.

[www.viennaconferences.com](http://www.viennaconferences.com)





# IMPORTANCE OF PORTFOLIO VISUALISATION AND HOLDINGS ANALYTICS FOR PORTFOLIO MANAGERS

By Florian Garivier, Co-founder and CEO at QUANTILIA

When you are driving a car, captors, sensors and radar help with the numerous decisions made to get you to your destination efficiently, while keeping you and your passengers safe. However, the first tool the driver uses has always been the windscreen.

The same logic should apply to institutional portfolio managers, and while a lot can be achieved through advanced techniques, their priority should remain to keep a clear and unbiased vision of their portfolio positions. This visualisation can be the key to both short and long-term success, but it can become muddled in the midst of new trends and tools.

While Tesla-style “full autonomy” versus mainstream LiDAR debates ripple through the car community, portfolio managers do not face the same controversy. The general consensus now recognises that the best setup for managing institutional money remains a human portfolio manager with proper decision-making tools around him.

Take a multimanager, investing in a set of funds, ETFs, mandates, and certificates. They would typically cover their position with futures, some might also take direct single name exposures. The aggregate is a mixed combination of wrappers, more or less transparent, having each their own function but not necessarily communicating that easily with each other.

With ETFs, for example, the combination of themes, categories, and classification methods allow for a wide range of investment strategies, and it is up to institutional investors to figure out the best combination. It can seem overwhelming at times, but the fact remains that a human portfolio manager is often best when it comes to accurately organising and analysing the data that can make or break an institution.

If the same generic styles in which we all dress are

dictated by global trends and highstreet brands, the opposite is true in the investment world, where managers require a unique, tailor-made service for their research factors and metrics to track the best possible investment opportunities.

Nowadays, what portfolio managers need is an accurate tool allowing them to allocate their portfolios exactly the way they want, which could help them understand what is really going on with their portfolios. A tool to filter this incredible amount of data into a concise, actionable analysis.

Furthermore, when it comes to portfolio allocation, there should be only one classification used: the portfolio manager’s one. It makes no sense to categorise positions according to standards that portfolio managers do not follow or in terms they are not familiar with. There are many managers looking at the same mutual fund from very different angles, quite understandably placing them in completely different categories, and it is not for their technology provider to choose how they want to see things. The needs and goals of each institution are unique and individual, and only for them to determine.

At Quantilia, our products aim to ensure that all portfolio managers are able to view at a glance information tailored to their unique portfolio, providing them with the highest chance of success both today and in the future.

Our primary service remains to ensure a proper look-through is applied and that a perfectly clean issuer-by-issuer aggregation of the portfolio is made.

If data is properly collected, cleaned, and utilised, everything else becomes simpler, and it begins

with the creation of intuitive, easy-to-use and actionable dashboard.

Our products are made with the needs of portfolio managers in mind, understanding that every company is unique and requires a specific set-up. Our platform offers a fully customisable experience which ensures that they only see information that matters to them and their investment principles.

By looking at an accurate, exact set of holdings and positions, a portfolio manager will save a considerable amount of time and will be able to focus instead on what matters most. We are still seeing too many large, great institutions struggling with inaccurate views from which they cannot extract meaningful insights.

Quantilia makes it easy to transform their portfolio management strategies into precisely what works for them. We can narrow down exactly what will work for institutions depending on their goals, saving their time, energy, and money. All of the work we put in is to make matters easier for portfolio managers, setting them, and the institution they represent, up for a successful future.

About QUANTILIA:  
QUANTILIA provides an innovative online analytics and data solutions dedicated to institutional investors. The platform includes comprehensive data, powerful analytics and tools specifically developed to assist institutional investors to take better informed decisions when managing their portfolios.

[www.quantilia.com](http://www.quantilia.com)

## REUNITE

*“to come together or cause to come together again after a period of separation or disunity.”*



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## DIVERSIFY YOUR STAFF RESULTS IN OUT-OF-THE-BOX RESULTS



by Chrissy Lee Co-President and Chief Operating Officer of Kalos Financial

As we progress through this age of inclusion, the family office, and financial services industry as a whole, needs to make sure it's continuing to create better ecosystems for women, people of color and anyone in the industry that is looking to grow and flourish. Sure, family offices have specific skill and experience requirements for prospective employees, but you can find quality attributes in prospects from all different kinds of backgrounds and walks of life. Bringing on employees from diverse backgrounds helps establish a more innovative work environment and culture because everyone applies their one-of-a-kind background and brings a unique point of view. We're always trying to diversify our assets – we should also be diversifying our staff!

Family offices are in a unique position to make an impact because the firm's relationship is very inclusive with the investor, the investor's family

and their overall legacy. You need a diverse group of team members that can help a family, whether you are assisting with college bound children, you are planning for retirement, or you are in the throes of retirement. A diverse staff that can bring varying perspectives to a family client provides opportunities to create dialogue and engage the clients in a meaningful way by capturing all of the different needs that each generation faces.

A diverse team of employees that come from all walks of life will provide family offices with unique perspectives and lead to alternative ways of going about the business that may have a profound impact. Further, a diverse team that is made up of employees of all different ages – from fresh out of college, entry-level associates to established, veteran executives - provides your office with the perspectives necessary to address the family's needs no matter what stage

of life in which they find themselves. A diverse staff will be beneficial to overall success, but we have to make sure we're doing our part in identifying those prospects and establishing a culture that promotes their growth.

Take me, for example. When I started my career, I was an administrative assistant, but I was hungry for more. That hunger drove me to take on new roles and learn specific tasks where I otherwise had no experience, like head of IT/AV (after I accidentally muted one of our C-level executives at our yearly conference, I realized that it probably wasn't the best role for me). Sure I failed a time or two, but those opportunities wouldn't have been made available to me if I didn't have encouraging executives who opened doors.

Like many when they start their careers, I was inexperienced, but what I lacked in know-how, I made up for in effort and desire to learn. Luckily, the executives in management recognized that I wanted to excel, and they nurtured me as I grew into the role I have today – running the entire firm's day-to-day operations.

They didn't care that I was a female, or that I wasn't the most experienced and didn't have all the proper certifications. They did, however, care about and recognize the work I put into building the business. No matter the task, I attacked it with enthusiasm, but it took the management team to identify that ability and harness it. Without their leadership, guidance and encouragement, I would not have gotten to the position I'm at today.

The industry as a whole needs to do a better job in providing mentorship to those who may not otherwise have the opportunity to work and interact among high net worth individuals. There is untapped talent outside of our normal recruiting pipelines, but it is up to us to find and cultivate that talent.

We have to prioritize the development of networking and career building opportunities so that we can find the right person, regardless of gender, race or any other qualifier that has nothing to do with whether the candidate can get the job done and help the

business grow. This may take some out-of-the-box thinking, like hosting networking opportunities for recent college grads or using online resources like LinkedIn to find candidates who may not otherwise apply for open positions. Once the right candidate is identified and hired, family offices should be implementing management training programs that empower employees to take on various positions within the family office with the intent to grow those employees into a management position.

It is also imperative that we, as individuals who may not fit the bill for exactly who you'd expect to see working in a family office, do our part and continue to seek out networking and career building opportunities. We have to put ourselves in the best position to succeed and not settle until we reach our goals, and that may mean putting ourselves in somewhat uncomfortable situations.

Whether it's panel discussions, conferences, or asking an established industry veteran to grab a cup of coffee, we need to put ourselves out there and be creative in the ways we find opportunities. Then, as we reach our career goals, we should be paying it forward and opening up doors for those who were once in our situation.

The executives and leaders within family offices have great opportunities to change the lives of so many, while also benefiting the business. Sure, there may be extra work in building these recruiting resources and seeking out diverse candidates, but if anyone has the means to do it, it is the family office. Beyond providing opportunities to individuals who may not otherwise be considered, the value that an atypical new hire will bring to your family office will lead to distinct results that benefit all involved.

Each family is unique and brings different personalities and dynamics, so a family office should be made up of a diverse team that can cater to the clients in a very personal and customizable way. Next time your family office is in need of a new hire, consider alternative ways to recruit, because it will have astounding results.

[www.kalosfinancial.com](http://www.kalosfinancial.com)



# INVESTING IN LUXURY

By: G. Patrick Gruhn, Partner at Veltracon Lifestyle AG

Luxury is an exciting topic for a number of reasons. For starters, I believe that most of us enjoy the finer things in life, and one of Warren Buffet's most famous investment tips is to invest in the products that you use. I'm pretty sure that he was talking about everyday consumer goods, but the idea is still valid, and I'll explain why.

I'm certain that most savvy investors advocate for a well-weighted investment basket, based on the individual risk profile of oneself or the client, when investing funds or advising them on what to put in their portfolio. After you've allocated the lion's share to stocks, bonds, real estate and other traditional assets, there is usually some room for alternative assets.

The title suggests that I'm writing about investing in luxury companies as a whole, and whilst that is a very viable strategy, you don't have to stop there. My suggestion is to add actual products to your physical holdings like you would own gold or diamonds as a store of value.

Let me give you an example at this point. If you own shares in LVMH, Europe's biggest luxury conglomerate, with more than 70 brand in its portfolio and a market valuation in excess of \$200 billion, you probably have a big smile on your face these days. Why? Because over the past ten years, the share value went from around \$70 to \$400 today. That's a gain of over 570%, which is a progression that can hardly be rivalled in the financial markets over the same time period by any conglomerate of similar proportions. LVMH has outperformed the DJIA at a multiple of 2.15. In other words, one of the world's most significant luxury manufacturers has outperformed the primary benchmark, blue chip index in the world at a staggering pace, and that's just incredible, considering that we're at the end of a very strong growth phase during which the DJIA gained 265% over the past decade.

While we're at it, let's take a quick look at gold, as that is also and always an interesting asset to compare others to. Over the past decade, the price of gold has only grown around 25%, and if you had the misfortune to buy gold between 2011 and 2013, you're



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likely looking at a loss in your portfolio right now. However, if you put your kids' college money into gold 20 years ago, you'd now be looking at a nearly 400% increase in value since the end of 1999. So remember, slow and steady has always been the way to describe the appreciation of gold, and if you own some, then it is a good idea to hold on to it.

I'm only pointing out these statistics to give you some perspective on luxury and a relating asset. Now on to the actual idea. There are a number of surefire products from brands like Hermes, Patek Philippe and more that have seen a steady, high demand for decades. This means that their presence is not a fashion pitfall or a fluke that will blow over in a season or a year. These two brands have been around for 180 years and have made their mark on society. Curiously enough, Hermes was created in 1837, and Patek Philippe only two years later in 1839.

There is a strong correlation between quality, timeless design and the value creation process. It is no accident that the finest luxury products with the highest quality are also the ones with the highest long-term value. A milestone worth mentioning is the recent auction sale of a Patek Philippe Grandmaster Chime, which changed owners for the record amount of CHF 31 million. It was during a charity auction, but that doesn't change the

fact that it is now the most expensive wristwatch ever sold and is nearly twice as much as, for example, Paul Newman's Rolex Daytona, which sold for a mere \$17.75 million in 2017. That said, about 80% of the highest paid auction prices were paid for Patek Philippe pieces over the course of the last 50 years. Now, that's a trend I will always rely on for my suggestion of investing in luxury products.

A watch of this complication will likely be priced around one to one and a half million Swiss Francs when it is originally sold to collectors, which means that we're talking about multiples of 10-20 times the retail price. You also don't need to wait 100 years to achieve great returns, and the real beauty is that this investment model is scalable. It doesn't have to be that one of a kind piece that you find amongst your family heirlooms.

You can make a very healthy return on today's products as well. Can you get your hands on a steel Nautilus (model 5711)? Then you're looking at a resale value of up to three times the retail price. Are you or your wife a good customer at Hermes? Then why not buy the occasional Birkin or Kelly bag and sell it for up to 200% profit within a few days? That's the reality of the market today, and there are no signs of it slowing down.

If, for example, you have a good relationship with your local Rolex dealer, then pick up the latest model Daytona with a white dial, and you can flip that faster than you

can bat your eyelashes with a healthy 80-100% profit. There is a long list of products that you do these kinds of deals with. There is no shortage in demand, but there is an artificial and strategic shortage of supply.

Unfortunately, it is not that simple. There is a prerequisite of a number of factors that will allow you to generate these kinds of profits, and chances are, you're not interested in chasing a quick hustle either. You need an expert to navigate these products and the market. I'm merely illustrating these realities so as to show what kind of profits are possible with over-the-counter luxury products.

Bottom line, it is certainly worthwhile to buy a few watches and a number of other luxury items at the right price, put them in our safe or vault and leave them be for a while. They will likely have the same qualities of a wine as they get better with age, but they don't have the downsides, as a watch won't turn into vinegar, regardless of how long you keep it stored away.

Obviously, it is important to know what to buy, at what time, and which price to pay.

Another great upside of these alternative assets is that in the end, no matter what you do, you'll always have a timeless wristwatch or an iconic accessory, and in my book, that beats the intrinsic and real life value of a piece of paper any day.

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# WHAT IS A FAMILY COUNCIL FOR?

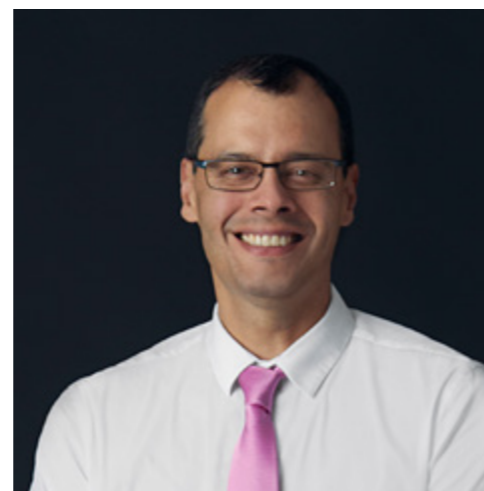
By Guillermo Salazar

San Diego, California. Thirty-five years ago, a modest grocery business was founded by Jose Lopez, a Mexican immigrant. Throughout the years, his tireless efforts turned a small business into a strong organisation, led by Jose and his wife. For the past ten years, their offspring, Carlos, Pablo and Patty, have been running the company, which employs more than three hundred people with twelve stores across southern California. It was a natural step for the Lopez children to come work in their father's store after they graduated. Even now, in their late fifties, they look back at their choice to join the business with no regrets.

From the beginning, the siblings were united in their agreement that they didn't want to repeat their parents' mistakes: a blind devotion to the business and nothing but the business. That's why the second generation decided not to discuss work at home and let their children enjoy their family by keeping their private lives separate from the business and let them look after their own lives. This arrangement worked well for many years. But a year ago, Carlos began to talk seriously to his siblings about the succession of the company after recovering from a heart attack.

However, there was an issue that none of them wanted to bring up: not a single one of their children (ages around twenty years old) had ever shown any interest in the family business. In fact, there was little the third generation had done at all in their professional lives. Some were finding it difficult to keep on going with their studies at college or had ever faced real responsibilities. As it turned out, many members of the third generation had been living their lives thinking that their parents' company would ensure their financial security, with no future plans in the horizon.

This is a case based on real life situations (names, locations and business sectors have been disguised) tries to illustrate a common situation where the lack of communication between family members often enhances the conflicts they face. Attempts to create



Guillermo Salazar

moments of coherent conversations about the shared heritage often end up in heated discussions between parents and children, who have a different perspective of the same reality. Sometimes, when we try to have a conversation regarding the future we want to share, we are more concerned with expressing what we think and feel ourselves than hearing what others have to say. One of the main objectives when working with or in a family business is to help create conditions that allow effective communication between generations. It is imperative to help them discuss, analyse and propose different scenarios to address the future of the legacy they want to share.

The initial conversation should then determine if the family wants to truly continue on with this heritage in the future. That approach will lay the plans, strategies and projects to be undertaken by the family to achieve their goal: should they go on together or separately? If the family wants to follow through together, they must first of all build spaces, conditions and rules to enable effective conversation between generations, for the sake of balance and harmony. After evaluating some offers, an external consultant promised to help them create conditions that allow effective communication between the second and third generations, through a system of

"family governance structures." The centre of decision-making would be a Family Council, a body of governance where the three siblings would meet to settle their interests related to the preservation, growth and transfer of their shared family wealth (a number of important assets generated over the last few decades, apart from the shares of the family business). To regulate these decisions and provide a framework of agreements that would allow them to function properly, the Family Council decided to create a set of rules, named the "Family Constitution," wherein the siblings agreed to regulate the most important decisions about the assets of the family, the succession planning to the next generation, rules for entering to the company, agreements on economic benefits and wages for family members, the family culture and values recognition, provide development opportunities for members of the family, ensuring the quality of communication and family harmony, and guiding the actions of family philanthropy.

Through their Family Council, the Lopez siblings managed to shape a forum, adding and separating the functions of the family and the company leadership, which helped to strengthen the role of the Board of Directors of the family business, focusing it efficiently on their responsibilities as administrator of the company strategy, based on the creation of a dedicated space for conversation about family and heritage issues, through effective communication, mutual respect and recognition; with awareness among the second generation that the founder's inherited leadership was now divided between the three of them.

This work set the plans, strategies and projects to be undertaken by the family to achieve their goals, following the rules and the governance structures they've created, letting the effective conversations between generations be a natural part of their lives, for the sake of balance and harmony of their heritage preservation and transmission. Due to the family governance structures, the next generation would soon, under the direction of the Family Council, have its own space for development, preparation and dialogue.

Guillermo Salazar is an expert on corporate governance and the strategic planning of family patrimony succession. He is a fellow member of the Family Firm Institute (FFI) in Boston, USA. Recognized in 2015 with the International Achievement Award of the Family Firm Institute.

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## PHILANTHROPIC CAUSES

### UNIVERSAL FILM AND FESTIVAL ORGANISATION



The Universal Film & Festival Organisation (UFFO) was founded to support and implement a code of practice for film festivals throughout the world. It is now dubbed 'FEST-COP', and its logo is now a familiar sight at many film festivals. The UFFO is a global not-for-profit voluntary organisation, and it created a "best business code of practice" for film festivals to combat the high level of corruption that blights the industry.

Its former president was the legendary actress Maureen O'Hara, and the organisation now has at least 240 film festival members.

UFFO's FEST-COP is entirely voluntary, free and easy to implement. Also, it is a blueprint for filmmakers in deciding which film festivals to do business with. Only film festivals that have subscribed to the UFFO best business code of practice are entitled to use the UFFO logo.

The organisation is now seeking a benefactor to help it move forward with its plans to further its remit and to create an online porthole to ensure filmmakers can deal with film festivals via a trusted source. The porthole will also act as a distribution platform and as an online TV channel for filmmakers to show their work.

Email [info@uffo.org](mailto:info@uffo.org) - [www.uffo.org](http://www.uffo.org)



## IS THE FESTIVE PERIOD THE RIGHT TIME TO DISCUSS INHERITANCE AND WEALTH TRANSFER WITH YOUR CHILDREN?

The season of winter brings with it a world of change. The days become shorter, and the temperature turns colder, but it's also a time in which we increasingly enjoy festivities.

Winter brings a time of change for families, too. With school holidays and university students returning home, the season is a time to reunite and spend quality time together as a family. Winter weather and dark evenings prove the perfect environment for catch-ups and reconnecting with loved ones.

In this way, winter gifts families the luxury of time. Time to catch up, time to create new memories, and time to discuss the future. Many families find the latter a difficult subject to broach, but it's an incredibly important conversation to have and should be considered seriously.

Significant inheritance and intergenerational wealth transfer are two of the most poignant milestones for

a family, so it's imperative to plan carefully to ensure the transition is positive for everyone involved. As many families have complex and intricate legacies, planning ahead and early on in your family's growth can mitigate stress or disagreements further down the line. So, how can families begin this conversation this winter and ensure the next generation are prepared for wealth transfer?

### Begin the conversation early

Our formal education system currently offers little to no financial education. As such, we're raising a generation who are, for the most part, unprepared for managing significant wealth.

Parents have a pivotal role to play in beginning this education – so that when the time comes for their children to inherit wealth, it's a positive responsibility rather than a burden. The winter holidays provide a perfect opportunity to begin this education. Being prepared for this huge transition gradually will help set

your children up for success, rather than stress. Simply put, it's better to start talking about inheritance "too much, too soon," and not leave it "too little, too late."

### Tell your family's story

Take some time over the winter holidays to sit your loved ones down and explain how your family's wealth was created, and how it's evolved over time. By bringing them into the narrative and making them feel a part of the journey, they'll develop a deeper understanding and appreciation for their shared wealth – so that when the time comes, they recognise the role they play in nurturing family wealth through controlled stewardship.

Starting the conversation in this way also helps erode communication barriers on what is still a delicate subject for many families. As much as parents can struggle to start the conversation about inheritance, children can struggle, too. They may feel fearful of coming across as entitled by asking how much they can expect to inherit.

By discussing the past and present, talking about the future becomes a natural stepping stone.

### Ask about their ambitions

The winter season brings with it the new year. This is often a time for all to take stock and plan for the next year, be it personal, educational, or some other ambition. Younger generations can take the time to regroup and reassess before returning to education in January and consider plans for the future.

This presents the perfect time to talk to your children about their ambitions and hopes for the future. The attitude of millennials toward significant wealth is drastically different than that of their parents, so by discussing their personal goals, you'll develop a greater understanding of how best to transfer your wealth, in a way that works for all members of the family.

For example, you may learn that your child hopes to buy a house within the next few years or plans to start a family sooner rather than later. They may tell you about their hopes to inherit your business, or their ambitions to begin their own company.

### Lead by example

As much as this education process is important, values are "caught, not taught." Wealthy families have a conscious choice to make in keeping their children grounded in reality so that when they come to inherit wealth, they're well placed to manage and invest it responsibly.

If you're planning a holiday with your family this year, talk to them about the costs involved and how the holiday was earned and shouldn't be taken for granted. These conversations will help ensure the next generation maintains a level head when they're at the steering wheel of wealth.

### Look to outside advice

Wealth transfer can be an exciting, confusing, and emotionally loaded journey to embark on, for all generations involved. Preparing a plan and talking about inheritance involves facing up to the possible conflicts among heirs and non-heirs and balancing emotions with hard-headed logic.

Many families look to outside experts to "steady the ship" and help educate and prepare the next generation for the future. Whilst an adviser can never replace the role of a parent, they play a valuable role in providing carefully considered insight on the practicalities of managing significant wealth and helping curate a plan to match their life goals.

### There is no perfect formula

It's important to remember that every family is its own unique ecosystem, with its own set of challenges, priorities, and dynamics. As such, there is no "one size fits all" formula to determine when your children are the right age to begin talking about wealth transfer. Every family can and should have their own unique approach.

This winter, take some time to consider how you'll embark on this journey, and any help you may need along the way.

**James Fleming, Chief Executive of multi-family office Sandaire, discusses how the festive period provides the perfect opportunity to broach the subject of wealth within the family.**

## CAPTIVE INSURANCE FOR FAMILY OFFICES AND PRIVATE CLIENTS

Once the preserve of the corporate world, more family offices and HNWI's are now realising the benefits of forming their own insurance company to insure their assets.

It is well known that the conventional insurance market frequently fails to meet the needs of the buyer, with criticism usually falling into one, or more, of three categories – price, cover, and service. What if you could have more control of these elements? What if you could form your own insurance company for your own purposes? Well, the captive insurance market can enable this.

A number of different reasons exist for the consideration of the formation of a captive insurance company, but for private clients and family offices, one main driver is the ability to retain wealth. Insurance premiums paid into a captive are retained and invested within the structure and are thus not "lost" as they are in the traditional insurance market. Captives can provide significant estate planning, wealth transfer, and asset protection opportunities.

### Why do it?

The conventional insurance market can be a cumbersome and inflexible risk management tool. Creating a captive insurance vehicle provides a bona fide mechanism for self-insurance, which can offer a superior alternative to the traditional insurance market for all, or sometimes just part, of an insurance programme.

### Advantages fall broadly into the following categories:

**The opportunity to retain underwriting profit** – usually "lost" to your insurance company, but paid as dividends to the captive owner

**Investment Income** – control over the investment of premiums until they are paid out in losses or in dividends

**Flexibility as to cover and rating** – more cost-effective risk transfer where the traditional market may be

applying high rates, restricted cover, increased deductibles or where there is limited capacity.

**Control** - captives wrest a degree of control away from the commercial insurance markets and allow the policyholder to take an active role in how it pays for the primary level, reasonably predictable losses.

The object of a captive is to provide a self-insurance programme that will fund predictable losses and both reduce and stabilise the cost of the insurance to the insured. In addition, in a carefully managed programme, profits will be earned and a return on capital will be achieved.

Captives can offer a degree of insulation from the unpredictable swings of the insurance market cycle, and additional benefits, such as direct access to the reinsurance market, positive cash flow, capital leverage, retention of investment income and ability to bespoke cover all contribute to the rationale.

### How does it work?

In short, a captive is a specific insurance company established to insure specific risks. In most cases, a captive insurer's owner and its customer(s) - the Insured(s) - are one and the same, which results in captives being different from commercial insurance companies.

A captive is a registered and authorised insurance company established to write all or part of the risks of an entity, its affiliates, or for the members of a group. Traditionally, they have been subsidiary companies of their parent (whose risks they underwrite); however, there are now numerous additional uses for such vehicles - including the writing of third party risks. Commonly located in an offshore domicile, the captive will be licensed by the local regulator to operate either as an insurance or reinsurance company.

Invariably, the premium paid into the captive will not be sufficient to cover the overall exposure insured within; for example, a £1 million premium spend for a portfolio of 50 properties valued at £10m each. The

captive will therefore purchase reinsurance protection to cover this additional financial risk. Reinsurance increases the captive's underwriting capacity and enables it to stabilise its underwriting results. Pund for pund, reinsurance is cheaper to buy than primary insurance, as it is effectively buying from the wholesale market, and reinsurers do not have the frontline overheads of insurance companies.

### Who is it for?

Traditionally, captives have been used by corporations for their commercial insurance risks (PLCs, private companies, the public sector, and trade associations), but more recently, interest is being received from private clients.

High net worth individuals and family offices with significant premium spend are realising the benefits of a self-insurance arrangement. They may have substantial property assets, art collections, yachts or even a garage full of classic cars – all of which will require insurance protection. It can also insure their commercial interests.

### Estate Planning

A captive may also provide some additional estate planning benefits, as an HNWI individual or privately owned business can structure their captive for it to be owned by a trust. Premiums are paid by the family into the captive, and over time, the profits generated can be paid as dividends to the trust. Captives can therefore legitimately transfer wealth to future generations.

In summary, captives offer a wide range of opportunities for a wide range of clients, and their growth will continue as more realise the benefits that they can provide.

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# THE MEANING OF LUXURY

## INVEST, PROTECT, REPEAT

Luxury comes in many shapes: for some it is a dream residence, a superyacht or a particularly fine crafted item of jewellery. For others it is the assurance of peace of mind into the future. Key wealth reports have indicated that wealth creation is set to increase within the next five years, with an estimated 22% growth in Ultra High Net Worth Individuals (UHNWI) and a steady increase in wealth particularly noticeable in China, India and the Philippines. With a growth in wealth comes an increase in the latest trends that have HNWI's captivated. Whilst many luxury items have remained popular across the years, there are several new trends that have dominated the global luxury market.

Reading into Knight Frank's 2019 Wealth Report, it becomes clear that global political and economic factors have played a major role in propelling these trends. Whilst traditional art, classic cars and jewellery remain staple luxury items, certain niche assets have emerged from the background. Notably in 2018, artworks by African American and female artists found unexpected popularity, as did whisky as a collectible asset.

The rise of Blockchain has also allowed for secure fractional ownership of hitherto highly inaccessible assets. Similarly, current day developments have reports predicting that investors will commit investments to innovative sectors, whilst increasing value will require investors to better understand asset and income management.

Immigration trends dominate today's reality, and as the world's wealthy become ever more globally mobile, UHNWI are looking at stable economies and taking up citizenship and residency by investment schemes. These are gaining momentum across the world as most

programmes simultaneously allow for an investment in property. Indeed, a second passport is seen by many HNWI's as a defining symbol of net worth and luxury. Statistics show that 36% of UHNWI's worldwide own a second passport and highlight a 21% global average of UHNWI's invested in immovable property. In addition, data shows that these individuals own an average of 3.63 residences, a reflection of their mobile and cross-border lifestyle.

Offering numerous benefits, a second passport is seen as a stable investment. One immediate advantage is increased mobility, with visa-free access to an average of more than 150 countries, depending on the citizenship chosen. In the case of the Maltese passport, one also enjoys EU citizenship and all the freedoms that come with it, including border-free travel within the Schengen Area, as well as the opportunity to live, work, and study in any EU member state.

Tax benefits also arise. In many jurisdictions, acquiring citizenship means that the holder is taxed only on local-source income and remitted foreign-source income. A primary requirement of most citizenship by investment programmes is an commitment to immovable property. When considering that property investment is a tangible asset that appreciates in value over time, such requirement emerges as a benefit in disguise. The question then arises, what is next after making such an investment?

A key trend amongst HNWI's is that having inherited or made a considerable net wealth, their focus turns to safeguarding their wealth through various asset protection vehicles. Different factors motivate HNWI's to actively protect their wealth, such as protection from unstable political environments, or from creditors

or other claimants. Succession planning is often a long-term goal of asset protection, through which the manner and timing of passing wealth or business interests to the next generation are organised in a clear strategy.

Each jurisdiction has its own understanding of patrimony, but it is commonly understood that if creditors seek recourse against a debt, then all property and assets of the debtor may be taken into consideration and open to attack. In order to protect their estate, one might opt to set up a trust that would be managed by a trustee for the benefit of the HNWI or their family. A similar scenario frequently arises in the case of separation or divorce proceedings where different options range from pre-nuptial or post-nuptial agreements, the community of residue regime, or setting up a trust or foundation to ensure a clear divestment of asset ownership.

Another primary element that motivates people to focus on protecting their assets and legacy is succession planning. This entails planning for what will happen to one's wealth during and after their lifetime. The characteristics and culture of the family, as well the nature of the assets involved, play a large part in determining the best approach to succession planning. A family business, for instance, is often the crown jewel in the family estate and the primary source of wealth generation.

It is important, therefore, that while the company is prepared for a passage of management and possibly ownership, the next generation are educated to understand the business and be in control of their business managers. Those family members that wish to actively participate in the running of the family business need to be groomed for their roles, and their perspectives given due consideration.

On the other hand, if the primary asset is an art collection, then the owner may wish to consider the use of a trust to hold and provide the way the collection may be used. Some collectors keep artworks privately at home, others prefer to loan them out to art galleries for a wider public enjoyment. With many UHNWI uncomfortable with the

idea of relinquishing control over assets, some opt for a Family Trust or Private Trust Company in a secure jurisdiction. Popular with Wealth managers and Family Offices, these offer both the flexibility and protection of a trust, while retaining a greater degree of control over the assets.

It is also important to keep in mind that, while estate planning plays an important role in a succession strategy, it should be done concurrently with tailor-made wealth management strategies that apply to the family and the scenario in question. The next generation need to be involved in these discussions, as they often have divergent investment objectives from their parents, in particular next generation investors show a greater trend towards impact investing and wider support for social or environmental causes.

The choices abound in considering a second passport, property investment and myriad possibilities for asset protection depending on personal and family circumstances. UHNWI and their family offices should look to professional advisers in specialist areas to guide them through decisions of such critical importance for their future, their wealth and their legacy.

Steve Muscat Azzopardi is the Senior Manager, Corporate & Fintech at Chetcuti Cauchi Advocates. He and his team advise international clients on setting up their wealth structure or business operations and licensing requirements in different jurisdictions and continue to support them thereafter. Mr Muscat Azzopardi brings to the table over fifteen years of international experience in operations and in the financial services industry, which led to his expertise in advising businesses on international expansion, cross-border transactions and family considerations.

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# UAE MINISTRY OF ECONOMY LAUNCHES MILESTONE EDITION OF ANNUAL INVESTMENT MEETING

by: Toni Muricu



Under the theme, "Investing for the Future: Shaping the Global Investment Strategies", government leaders and officials, economic experts, global investors, entrepreneurs from over 140 countries will convene and collaborate on improving investment dynamics at the 10th edition of AIM to be held on 24-26 March 2020 in Dubai.

15 December 2019, Dubai, UAE- UAE Ministry of Economy launched the 10th edition of Annual Investment Meeting (AIM) which will be held on 24-26 March 2020 in Dubai. AIM is under the patronage of HH Sheikh Mohammed bin Rashid Al Maktoum, UAE Vice President, Prime Minister and Ruler of Dubai.

AIM has consistently provided a unique platform mostly for emerging economies to attract FDI. Now in its milestone edition, AIM is adhering to the call for a more extensive and inclusive economic growth and has added, aside from FDI, four more pillars- Small and Medium Enterprises, Foreign Portfolio Investment, Start-ups, and Future Cities. It will also hold One Belt, One Road which is an exclusive side event.

Praising the expanded network of AIM 2020, HE Abdullah

Al Saleh, the UAE Ministry of Economy's Undersecretary for Foreign Trade Affairs, said, "Attracting investments does not only link its spillovers to the local economy. It enables inclusive growth providing long-term benefits to host countries in terms of job creation, enhancement of skill base, transfer of technology and increase in competitiveness. With the addition of new pillars, AIM can exert stronger influence to achieve wider economic prosperity and improve domestic economic imperfections."

Under the theme "Investing for the Future: Shaping the Global Investment Strategies", AIM will traverse the shifting investment landscape at the global scale and assist world economies to attract investment. AIM's flagship pillar, FDI, will link municipalities, cities and countries with quality FDIs that match the necessary condition of their market and their existing infrastructure. It will also unfold recent trends and foreseeable movement of FDIs to assist both governments and investors in gauging and reformulating their next plan.

AIM 2020 will also work toward narrowing the credit gap to benefit SMEs by providing a global platform to promote their products and services to genuine investors. While world economies are fuelled by

SMEs which represent 90% of business and 50% of employment worldwide, 65 million SMEs in developing countries have to endure unmet financing need of \$5.2 trillion every year, according to the International Finance Corporation (IFC). SMEs that are recognized for integrating sustainable investing in their operations will gain distinct focus among impact investors anticipated at AIM. Impact or sustainable investing have gained popularity among investors who are keen in financing companies and organizations that address social and environmental concerns.

The rise of the global population of ultra-high net worth individuals (UHNWIs), which is anticipated to increase by 22% over the next five years, will further boost the flow of foreign portfolio investments. AIM networking function dedicated to foreign portfolio investment will drive discussion between companies with tradable assets and wealth managers who are eager to capture market opportunities that ensure real returns. According to International Monetary Fund data, top destinations for foreign portfolio investment are Turkey, Germany, Czech Republic, France, Italy, United Kingdom, Poland, Luxembourg, United States and the Republic of North Macedonia.

AIM 2020 will continue to support startups with expanded networking opportunities and focused discussions including mentoring sessions. A series of National Pitch Competitions will be held in 80 countries where top winners will be hosted in Dubai to compete in the Final AIM 2020 Startup Competition with cash awards amounting to USD50,000. Previously a co-located event, Startup, now an AIM pillar, will take a prominent position at AIM 2020 to further build on growing interest in funding which has reached \$407 billion 2018, an increase of 23.3% from 2017. The top sectors for funding were software and SaaS, fintech, medtech, media and entertainment, health and wellness which represented 52.7% of total disclosed funding.

Funding remains the biggest challenge in implementing smart city solutions. AIM 2020 will seek to bridge the funding gap through its Future Cities pillar, aimed at linking project owners with legitimate investors. Future Cities will not only showcase projects, but

assist project owners derive inspiration from success stories built on having successfully created close relationships with private partners.

AIM 2020 will also hold the second agenda of One Belt, One Road. OBOR will present investment opportunities across continents involving regional collaboration to modernize China's ancient Silk Road trade route. Belt and Road Initiative spans across 70 countries with \$1 trillion investment requirement and has been hailed as the most ambitious infrastructure initiative aimed at improving physical, trade, economic and digital connectivity across various sectors. AIM launched this exclusive side event last year and saw the participation of 200 project owners and investors from GCC.

AIM 2019 attracted 16,051 visitors from 143 countries as well as 150 FDI specialists and economic experts, 66 high-level dignitaries, 436 exhibitors and co-exhibitors and was covered by 256 local and international media.

For interest to attend or to exhibit, visit AIM 2020 website: [www.aimcongress.com](http://www.aimcongress.com). You may also view event agenda and know about event features online.

Annual Investment Meeting, world's leading investment platform, that brings global economies together from 140+ nations, 150+ experts, and around 20K visitors, is gearing up for its 10th edition at Dubai World Trade Centre on 24-26 March, 2020.

Conceived and organised by Strategic Exhibitions and Conference, the three-day event is held under the patronage of His Highness Sheikh Mohammed bin Rashid Al Maktoum, Vice-President and Prime Minister of the UAE, and Ruler of Dubai, every year in Dubai.

Strategic Exhibitions and Conferences is one of the members of Dubai-based Strategic Holding, a conglomeration of six companies that develops and manages extensive portfolio of conferences and exhibitions. In a short span of 10 years, the company has ventured into real estate and education sectors, besides having its marketing consultancy and auditing agencies. It has offices in China, Russia, Germany and many countries in Asia and Middle East.

[www.strategic.ae](http://www.strategic.ae)



# MOVING TO MONACO

By Irene Luke, Savills Monaco

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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# A VIRTUAL CONCIERGE

By Terry Burns

Almost anything can be bought these days. We live in an unprecedented era of freedom and luxury. It is possible to travel around the world in the ultimate comfort and style, dramatically change the way you look, or even change the world around you through acts of philanthropy. However, the one thing that is not yet available for purchase – and perhaps the biggest luxury of all – is time.

But what if it were possible to acquire the gift of time? A virtual concierge could provide just that. Despite the name, a virtual concierge is not a Jetsons-style Siri/Amazon Prime hybrid robot, but a real person with impeccable social conduct and an enviable little black book of contacts. Whatever you require, your virtual concierge can make it happen. So, it's unsurprising that they are becoming more and more sought after.

For busy executives, it's often the so-called small stuff that becomes harder to manage. But keeping on top of these details is crucial for your image, and indeed your relationships – both business and personal. A virtual concierge can arrange, rearrange and customise everything from fully-briefed visits to your chosen hair stylist to a quick shoe shine between appointments. A good concierge will become so familiar with your diary and lifestyle that their services feel like having an extra pair of particularly dexterous hands. Tied up in meetings all day?

They'll pick up your dry cleaning and drop it off at the office, stopping by Oxford Street on the way to choose and gift wrap the perfect wedding anniversary gift. They can help organise a home or office move – including taking photographs for the estate agent, liaise with the cleaner, nanny or dog walker, and arrange a courier for those important documents that need to go before lunchtime.

But a good virtual concierge isn't just a glorified personal assistant. Find the right one, and you'll have an extremely well-connected friend at your disposal. A friend who can make the seemingly impossible happen for your leisure time as well. They'll get to know what makes you tick and curate a leisure time schedule that you would for yourself – if only you had the time. This might mean organising chauffeur-driven classic cars to an important event. Or it could be making preparations for a supercar holiday in

Monaco, with a couple of afternoon trips to the best French vineyards thrown in – and maybe an exclusive viewing of that Renoir you have been hoping to add to the collection. Family holidays and excursions are researched, planned and fully timetabled, with activities, restaurants and child care sorted, so you can do what you're supposed to do on holiday, relax.

Of course, restaurant visits are a key part of the agenda for any busy executive, and planning the perfect dining room for every occasion can be a time consuming activity. Negotiating the dining scene in London – and increasingly elsewhere – can feel like a full-time job. Indeed there are people who devote their lives to unearthing and rhapsodising about the best lunch and dinner spots. Keeping abreast of the latest developments in the culinary world – the hottest new chefs, the latest AA rosette winners, the chicest private dining rooms – is a hassle.

Finding a virtual concierge who keeps on top of all of this can be a godsend. The best ones can get you a table in a fully-booked-til-2025 three Michelin starred restaurant or arrange an intimate dinner for your most valued clients at the chef's table. They will be on first name terms with the hosts that can book you into the most opulent private dining rooms and arrange to get your on the list at that exclusive private members' club for cocktails afterwards.

Who really has time to sit in a telephone queue for Elton John tickets the day they go on sale? Your well-connected concierge can not only acquire tickets to sold-out or high profile events, but has the connections in place to arrange a VIP box with table service for the performance of your choice. Or if sports are more your thing, how about dinner in a dining room at the edge of the pitch at a premiership match before you watch the big game? There's no such thing as a sold-out event when you have the right person making the calls for you. All this can be seamlessly arranged while you get on with your working day.

Finally, your virtual concierge can improve business relations, too. Whether it's organising the annual company Christmas function – complete with bespoke gift bags, a prudently orchestrated table plan and appropriate transport arrangements – or scheduling business lunches with clients, prospects and partners,

the ancillary assistance that shows you've gone the extra mile can have the bonus effect of improving all areas of your business relationships. A happy workforce is a productive workforce, your staff will appreciate the effort made, and your clients – both existing and prospective – will be impressed when your in-the-know concierge hand picks the best table in the ideal lunch venue. All of this leads to a smoother working life, as well as makes a good impression.

A virtual concierge is the quintessential example of something you never knew you needed until you hired one. In today's increasingly busy world, managing family time, private leisure activities, business trips and lunches and keeping your workforce happy while maintaining your own pristine personal image is no easy feat. Remaining calm and composed while all of this seems to effortlessly fall into place is all part of your success story. Imagine the difference that having that extra holistic help could make to your life. If there seem to be endless loose strands that require tying together across your business, home and leisure schedule, a virtual concierge could be just the VIP ticket you're looking for.

Terry Burns has worked as head concierge for over thirty-five years at one of the landmark business buildings in central London and offers virtual concierge services for clients throughout the world.



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# IS U.S. COMMERCIAL REAL ESTATE STILL ATTRACTIVE FOR INTERNATIONAL INVESTORS

By Matt Belcher, Managing Partner at CalTier Realty, LLC

As the world's top destination for foreign direct investment (FDI), the United States represents a stable and consistent environment for international investors despite the occasional volatility in the economic and political landscape. In fact, European countries made up eight of the top 10 sources of FDI in 2017, with the U.K. topping the list. The dollar continues to be the barometer of global economic conditions, and its unexpected strength in 2018 prompted the World Bank to declare that the "global economy is operating at or near full capacity." That's both comforting and slightly unnerving, knowing that markets may dip at any time, especially with whispers of an impending U.S. recession. So how will this affect the U.S. commercial real estate market for international investors?

According to data from Forbes, since 2010, international investors have bought more than \$365 billion in commercial real estate - and that figure is likely to grow. The renting and leasing segment has shown a steady increase to a total of approximately \$129 billion of influx in 2018 and with the industry experiencing its sharpest increases (\$24 billion) in FDI from 2017-2018. Even with the possibility of an economic downturn, we are finding that many high net-worth individuals and family offices are increasingly looking to deploy capital into the U.S. Multi-Family investments. Why? Because it will continue to be a relatively stable market, as it has historically provided one of the strongest returns on investment during economic downturns.

The segment is poised for growth regardless of the economic and political situation due to the lifestyle and demographic changes across the country, including high single-family home prices that tend to push young and old alike to the rental market. Additionally, the integration of smart technology, more tenant-focused amenities and all-inclusive style living is keeping this real estate segment attractive and occupancy rates high. Furthermore, the increase in mobility among young professionals deters them from making long-term commitments that come with buying a home. We see outlying and suburban markets, particularly ones

that have needed an economic boost, poised for even broader development and growth. This is especially true on the West Coast and in the midwest regions of the U.S., as these areas tend to produce opportunities for higher CAP rates and potential returns. Even under the scenario that we see an economic downturn, we are likely to see more and more people rent because their financial situation does not allow them to buy a home due to the economic situation.

So, if you're an international investor venturing into the U.S. real estate sector for the first time, what should you take into consideration?

Some supporting points to consider are that the multi-family segment provides direct, partner and crowdsourcing platforms which offer accredited and non-accredited investors a variety of ways to invest into cash-flowing assets with steady rates of return. So, there are a number of ways for different types of investors to enter this real estate class at a variety of price points. There are also regulatory, private financing and U.S. visa incentives through the EB-5 program for international investors that make entry into the American real estate market easier.

Challenges you may find include finding the right kind of investment opportunity, especially exclusive "off-market" deals that are difficult to identify and access, even if you are in the U.S. Additionally, structuring finance deals with banks and other financial institutions, as well understanding tax implications, can be complex. Background checks through OFAC, BSA and AML make bank financing prohibitive for mid-market international investors. And, of course, managing assets and legal matters from outside the country has its own challenges and concerns. Investing in a country outside your own is not easy, but there are mechanisms available for high net-worth investors.

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*Today,*

I will pilot my boat out into the blue ocean,  
practice swan dives off the bow  
and say hello to a blue angel fish.

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into my home that overlooks it all.

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Artist's Rendering

# PLANE TRUTH

## The economic substance behind aircraft ownership



By Grant Atchison, Client Services Director at IQ-EQ

Buying an aircraft doesn't have to be complicated. However, with more jurisdictions waking up to the need for economic substance, it needs a thorough, measured approach that considers every layer of complexity. What appears to be the quickest, least expensive and easiest option – as attractive as it may initially look – is unlikely to be the best way to secure the asset and owner interests and it may be a costly path to tread in the long run.

As a private wealth specialist, I've witnessed the aftermath of owners rushing to create an asset-holding company in particular jurisdictions off their own bat and without due consideration as to how it might affect them from a personal tax point of view – not to mention a raft of other costly legal complications.

Authorities are increasingly making sure problematic structures are hard to unravel and re-do at a later date. Remaining within the law and planning properly when buying an aircraft is therefore more pertinent than ever.

### Ownership considerations

Whether you're a high-net-worth individual wanting to invest directly from day one, or a JetCard traveller clocking up 200+ flying hours a year and taking the decision to own outright, the initial steps involved in buying an aircraft are the same. Firstly, the type of aircraft needs to be considered, alongside how much to spend and where it will be based. Other considerations, such as whether the aircraft will be utilised commercially to create an income, will also need to be taken on board. The next pivotal decision is about who is going to manage it operationally. Will an in-house team be used or will management be outsourced to a third party? Once these key decisions are made, it's time to build the ownership structure – and these foundations need to be solid from the start.

### Trusted network

This is where the role of trusted advisers takes centre stage; acting as a figurative legal and corporate Praetorian Guard, they can ensure your interests are

protected from the outset. They can assess your personal circumstances and create a structure specifically suited to you – one that has economic substance and is fully compliant. These experts can also help you to decide how to fund the purchase and the best way to structure the investment. For example, if a trust is set up the monies will be placed into a shareholding company that will in turn fund the aircraft owning entity. The importance of getting professional guidance on the right structure – from a tax, corporate governance and/or accounting point of view – should not be underestimated.

### Costly mistakes

This is especially true when it comes to tax compliance. Personal taxes, of course, depend on an individual's worth, income and where they are resident or domiciled. Many countries have their highest income tax rates at almost 50%. Then there's VAT, which in Europe ranges from 17% to 27%. These are big numbers when placed against the value of your asset. If you have, for example, a \$50 million aircraft and your VAT or income tax is calculated incorrectly you could be looking at multi-million dollar penalties. So it's worth getting it right.

### Lessons from the past

As history has shown, if a solution looks too good to be true, then it probably is. For example, in 2010, Denmark took the decision that business aircraft could no longer be imported at a zero rate of VAT. Similarly, post 31 December 2010, UK authorities no longer permitted business jets with a maximum take-off weight in excess of 8,000 kg to be imported as 'qualifying' aircraft and, as such, be zero rated for VAT purposes.

The reasons for those decisions? The EU Commission successfully argued that the Danish and UK interpretations of Article 148 of the EU VAT Directive were not in line with the legislation and must be discontinued. The possibility of similar infringement proceedings and related reputational damage should be considered when it comes to planning the aircraft structure to be put in place.

### Tax efficiency

Tax should never be the main driver behind any aircraft-owning structure. If the primary focus seems to be tax mitigation, it invites further scrutiny. As the saying goes: 'don't let the tax tail wag the dog'. Rather, the

goal is to ring-fence and protect the asset against any form of claim or liability. Having said that, there should be a tax efficiency element to operating and creating the structure. Whether an aircraft is funded privately or through a trust, the establishment and management of the structure should incorporate best practice with respect to regulatory compliance, risk mitigation and asset protection.

### Good governance

Aircraft owners also need to take corporate governance seriously; to show that there are real people making real decisions in real time. One of the best ways to achieve this is to create a 'Chinese wall' between directors and trustees and ensure independence between the decisions taken by entities within the structure as appropriate. This will involve greater costs but ultimately increased peace of mind as not only will your structure be under constant review, but your dedicated team will be ready to adapt proactively to changes in your personal circumstances or in the regulatory, political or aviation landscape.

### Brexit impact

On that note, it would be remiss not to mention Brexit. In the UK and Europe, Britain's departure from the EU may have implications for any current or prospective aircraft owner. For example, if a no-deal Brexit goes ahead, this could have an immediate impact on structures and aircraft operating in Britain and the rest of the current EU27. Having an expert team on hand would facilitate a full assessment of the different scenarios that will impact what happens, when and where and if any restructuring is necessary. Without that trusted network taking protective steps, the owner would be left with conjecture and uncertainty.

Historically, potential aircraft owners may have sought the quickest, most cost-effective way to buy an aircraft. Now, special purpose vehicles (SPVs) and entities for high-value assets need to be robust and compliant as more and more jurisdictions seek structures with economic substance. Once more, if the proposed solution seems too good to be true, then the chances are it is just that. Approached in the right way, the journey towards buying an aircraft should be smooth, efficient – and, above all, exciting.

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# WHY INVESTMENT IN NANOTECHNOLOGY BY SINGLE FAMILY OFFICES CAN BE SO POWERFUL

I believe single family offices, which are typically founded by true innovators that toiled for many years to be immensely successful, regardless of industry, have in their DNA the appropriate investment temperament to fund and capitalize novel technologies over time. Such technologies sprout and grow similar to the trajectory of the founding patriarch or matriarch of a family office; whereas their first 10% of achievement took a considerable time, followed by a rapid acceleration in growth from 10 to 90%, also known as the “S-curve effect.” One such industry that’s at or near the beginning of a rapid acceleration phase is Nanotechnology, and single family offices are likely some of the best suited investors to lead or co-invest in the industry.

So, what is Nanotechnology, who started it, and why is it so compelling?

Nanotechnology, or Nanotech for short, is the manipulation of matter at a level that most of us find hard to envision, since it comprises materials with dimensions of 100 billionths of a meter (1/800th of the thickness of a human hair) or less. At such a minute scale, the physical and chemical properties of materials can be altered substantially. As a result of such changes, the leading engineers, researchers and inventors of today are unearthing multiple ways to precisely make materials at the nanoscale. The results of these creations are birthing innovative materials that have incredible strength, magnetic permeability, lighter in weight, excellent luminescence properties, along with superior chemical reactivity when compared to bulkier-scale materials.

Nano.gov states that the physicist Richard Feynman (1918–1988) is widely credited with kick-starting modern interest in Nanotechnology. In 1959, in a famous after-dinner speech called “There’s plenty of room at the bottom,” the ever-imaginative Feynman speculated about an incredibly tiny world where people could use tiny tools to rearrange atoms and molecules. By 1974, Japanese engineering professor Norio Taniguchi had named this field “Nanotechnology.” The enormous potential of Nanotechnology, especially when converged with other



by David M. Kraemer  
**Founder and Managing Member  
of 10 || 2 Capital Partners, LLC**

sectors of the global economy, like advanced materials, medicine, science, etc., opens the door to new economic developments that can help industry and governments solve and/or augment several global challenges.

As a result of this ongoing convergence, the number of products generated by nanotechnology that are entering the global marketplace is increasing. Moreover, according to StatNano, by the end of September 2019, nearly 3 percent of all published patent applications filed at both the United States Patent and Trademark Office (USPTO) and the European Patent Office (EPO) were in the field of Nanotechnology. While 3 percent may seem somewhat insignificant, Nanotechnology actually accounts for 10 percent of the world’s total scientific publications. The USA, South Korea, China, and Japan, respectively, hold the largest proportions of those Nanotechnology patents, followed by Germany, France, UK, Canada, Switzerland and the ROW.

While listing all the potential applications of Nanotech would be too voluminous here, two examples that have traction already, and likely will continue to expand globally, include: (1) Quantum Dots in consumer displays, electronics and lighting; and (2) Healthcare Nanotech (aka Nanomedicine).

Quantum dots (QDs), which are also known as semiconductor nanocrystals, have garnered much attention and worldwide commercial interest as a result of their unique capacity to fine-tune light-emission frequencies in consumer display and electronic devices. Market Research Engine estimates the quantum dots market is expected to exceed \$32 billion by 2024, increasing at a compounded annual growth rate of 60% and is driven largely by the advent of electronic and lighting devices containing light emitting diodes (LEDs) as their internal lighting sources. LEDs, which are highly energy efficient, emit inherently blue light, which must be corrected to consumer-pleasing white in both display and lighting applications. Because of the efficiency of their color-shifting properties, quantum dots have recently emerged as a preferred method of correcting blue LED emissions. Additionally, the production of even smaller, higher-resolution “microLED” displays in applications such as AR/VR devices, watches, and mobile devices should add to the further adoption of quantum dots.

Likewise, Nanomedicine is a particularly exciting field that should likely continue to accelerate. According to Grandview Research, the primary demand with Nanomedicine stems from the prospect of making improvements in the delivery of treatments and healthcare outcomes. For example, being able to control the distribution of medication inside a patient to the exact location where it’s needed, resulting in less or possibly no side effects versus current protocols. Nanomedicine can also augment one’s immune system when acting as a powerful stopping agent by generating radiation that could destroy viruses, bacteria, and even cancer cells, by interrupting their division process. Nanotechnology also theoretically allows the mirroring of normal biological processes (e.g. functioning as artificial red blood cells to transport oxygen, or the mending of damaged tissues and organs).

Overall, the enormous potential of Nanotechnology in consumer displays, electronics, lighting, medicine and other key industries can be a real game-changer, ultimately opening the door to new developments in industry and governments for the betterment of society. Who better to usher the requisite “SMART Capital” needed to make these continuous improvements a reality than the innovative and steadfast founders behind various single family offices?

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## ALPHA-CENTAURI LUXURY HYDROPLANES



# IS FOOD HUMANITY'S GREATEST CHALLENGE – AND INVESTMENT OPPORTUNITY?



By San Eng, Skytian Capital LLC

If you Google “What is humanity’s greatest challenge?”, you could spend months reading the thousands of fascinating articles and debates from world thinkers and leaders.

One of the most important thinkers of our time, Yuval Noah Harari, and author of *Sapiens* and *21 Lessons for 21st Century*, cites three major threats to humans in *21 Lessons*: nuclear war, climate change/ecological collapse and tech/bio disruption. Recently, a Canadian billionaire philanthropist told me global warming is the greatest problem, and unless we act and act dramatically now, there may be no Earth for our kids or grandkids to call home. The great physicist and thinker, the late Stephen Hawking, said it is “almost inevitable” that global warming or

nuclear war would make the Earth uninhabitable and urged us to seek refuge in space, colonize other planets (Go Branson, Bezos and Musk!).

Humans face many challenges, from climate change to food security to the threat of global/nuclear war to next epidemic and so on. Many of these issues are tied to the surge in human population. Between 1900 and 2000, our population increased from 1.5 to 6.1 billion. Today, we are close to 8 billion, and by 2050, most experts cite close to 10 billion.

Mother Earth is not only bursting at its seams, she’s force-fed poisons with open blood wounds from water, soil, air pollution, deforestation. It is not just human bodies that need to be sustained.

According to the Animal Kill Clock, as of end November, 50,000,000 animals have even killed for food this year in the United States alone. So, the planet not only needs to sustain humans, but billions of animals per year to feed us, plus the cost of producing non-meat foods. The costs of producing and equitable distribution and feeding of so many people is a highly complex issue that has political, environment, moral/ethical, economic and health considerations.

Climate change, perhaps the experts’ most oft-cited biggest challenge, is inextricably linked to food production. According to Wikipedia’s excellent entry on “Climate change and agriculture,” AFOLU (agriculture, forestry and other land use by humans)

represents 24% of greenhouse gas emissions. The CGAIR thinks the figure is higher at 29%, given the food system’s “footprint” encompasses food production and distribution, growing crops, raising livestock, producing fertilizers and strong and transport of foods. According to Lifegate, China alone has 700 million pigs, which need to be fed 80 million tons of soy grown in Brazil’s once lush Amazon, deforested for the farms, further exacerbating climate change. Some groups, such as Worldwatch Institute, cites food’s link to CO2 emissions to be as high as 51%.

Regardless of if the figure is 20% or 50%, there’s no point debating. Both climate change and food are massive human challenges, and food is a major cause of climate change. Worse, as we expect 2 billion more people (eating billions more animals each year) by 2050, the demand for food needs to grow 60% to sustain us, according to the WEF.

Just as our population cannot survive a few more degrees of temperature rise due to the erosion of arable lands, living spaces, humans cannot afford the status quo of food production.

## Mother Earth will not make it.

We believe food is our greatest actionable challenge. For example, technology is enabling mass adoption of electric cars and cars-as-service, and our belief that in coming decades fossil-fuel cars should eliminate much of transport-related CO2 emissions (again, go Tesla! Go BYD!). Similarly, agrifood technology, to us, is the only viable solution for us to get to scalable, sustainable foods.

The only solution to save humans is truly moving to other planets. Obvious cases would be alternative proteins (plant based, lab grown, insects, etc), replacing current high-energy, pollutive, unethical, unhealthy traditional proteins. Or indoor, vertical and robotic farming making dirty lands now arable, year-round, or maximizing the growth per acre. Or new techs transforming deserts into green fields. In recent years, we are seeing an agrifood tech investment and innovation renaissance, and we are optimistic technology in foods, like in cars, will solve the food problem.

What about climate change? Even if tech makes food clean, that is still only ¼ to ⅓ of CO2 emissions. Isn’t climate change more important? Maybe, but to us, it’s less actionable. We cannot rely on entrepreneurs and investors in cars and food to drive adoption, to innovate, to solve problems.

How can we convince a poor Ghanaian or Indonesians or Indians to make CO2 reduction a priority, Paris Accords or not, when the rich world that polluted the planet in the first place aren’t in sync to comply, or even if by some miracle all leaders agree, will never reach deep enough into their pockets to subsidize the poor? So for us, the best way to reduce climate change isn’t the policy route, but rather to help the poor get rich, to embrace innovation and entrepreneurship.

## Resources are limited, so we bet on entrepreneurs, not politicians.

As a venture capital and private equity investor having deployed over half a billion US dollars of capital across the globe, I have found the best bets are on entrepreneurs working against or circumventing regulators, often leveraging technology to find creative solutions. In contract, those businesses that rely on or are at the mercy of regulators perform the worse.

In conclusion, food, including agriculture and food production, are tied to humanity’s biggest challenges.

This also means agrifoods is the world’s most exciting, profitable investment sector for the next century.

Skytian Capital is a family office investment firm actively investing in real estate assets and the agrifood technology sectors. The author is an experienced “investorpreneur,” having invested US\$500+ million in venture capital and private equity projects, and having raised \$100+ million as CEO and founder of growth companies.

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