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STRUCTURING COMPENSATION FOR EXECUTIVES TO ALIGN WITH YOUR FAMILY OFFICE GOALS

By Elizabeth L. Alfano, Robert K. Barbetti and Kaylin C. Klinger

Is your single-family office interested in recruiting executives to perform sophisticated functions? If so, be ready to face challenges when competing to attract and retain outside talent. The cost of this support depends on the purpose and objectives of your family office. If your family office was formed to generate investment returns and to provide tax and legal functions, you may be competing with the most sophisticated financial institutions and private equity firms, and their robust pay packages, for talent.

Because family offices are privately held, they aren't typically able to offer the types of incentives available at publicly traded companies or large operating partnerships, such as stock options or other forms of equity. However, with a well-structured compensation program, these challenges can be overcome through the creative use of incentive arrangements that can entice top talent.

As you begin the recruitment process, you'll want to make sure candidates not only have the requisite skill set, but also are a good fit for your culture. Paying up for the perfect candidate on paper means nothing if the person isn't trustworthy or compatible with your family, its values and priorities.

		Core	Established	Institutional
Staffing	# of employees	1-5 employees	6-10 employees	11+ employees
	Staff overlap with business	Significant	Some	None
Investments	Investment committee?	Informal	Mostly formal, with family involvement	Formal, with family oversight
	Investment styles	Outsourced, manager of managers	Outsourced, manager of managers, direct investments	Outsourced, manager of managers, direct investments
Overview	Services typically provided	Investments, accounting, taxes, reporting	Investments, accounting, taxes, reporting, concierge, philanthropy	Investments, accounting, taxes, reporting, concierge, philanthropy, legal
	Operational description	• In-house team supports some family needs • Employees fulfill multiple roles with broad responsibilities • Extensive outsourcing for many services • In-house professionals manage external providers	• In-house team supports most family needs • Employees have well-defined roles and responsibilities • Some outsourcing	• In-house team supports all family needs • Employees have well-defined roles and responsibilities • Strategic outsourcing

Source: "The Single Family Investment Office Today: A primer on structuring an investment office to achieve family objectives and societal value," World Economic Forum and J.P. Morgan, August 2016.

Starting with your family office objectives, you can then determine who to recruit

A majority of family offices are formed to manage wealth and foster entrepreneurship. To service these functions, in what we'll call the "core" model, family offices are typically staffed with one to five investment and tax accounting professionals who may largely perform risk management functions. An "established" family office may add philanthropic and concierge staff, whereas an "institutional"-level family office may insource legal professionals.

(For further detail, see the chart on page 3)

Broadly speaking, a single-family office will typically begin with a CEO who is a family member and lead decision maker. Executive responsibilities may not be clearly defined at this stage, and there may be overlap in functions. Roles may be filled largely by family members, and compensation may be determined on an ad hoc or informal basis, potentially causing intra-family conflicts. Even at this stage, applying a structured approach to family office compensation can prove beneficial.

Most (if not all) family offices will find that some degree of outsourcing is required to meet their goals. This can range, for example, from sophisticated wealth planning and advice, to corporate finance services, customized credit solutions and investment banking support. When family office functions begin to grow in complexity, the family typically looks to insource experienced professionals.

A family office will want to prioritize hiring for the long term. Candidates should have the right professional background and have character, integrity and values aligned with the family. Even when hiring from within the family, those members should be aligned with the long-term family goals.

The most common family office executive roles are CEO, CIO, CFO and COO; however, other roles may be considered executive level as well. With a more formal structure, roles and responsibilities will need to be clearly articulated, as well as compensation for the executive team, although job descriptions may evolve as the family office expands. Accordingly, there may be a limited number of candidates with the professional background and cultural fit for the envisioned roles.

The table below illustrates the typical responsibilities and professional background of a family office CEO and CIO:

As your family office grows in complexity, it's time to formalize executives' pay

Now that you've identified your family office's objectives and staffing needs, it's important to ensure that your compensation structure aligns executives' pay packages with your desired outcomes.

	Responsibilities	Typical professional background
CEO	• Responsible for management and oversight of all office activities and all staff • Executes the family's vision and addresses all stakeholder needs through the family office's activities	• Former executive within the family's operating business • Trusted financial advisor, portfolio manager or legal counsel
CIO	• Responsible for managing the family office's investment portfolio • Outlines investment policy and approach, portfolio allocation, and investment process • Oversight of due diligence activities • Monitors all strategies and all positions	• Former portfolio manager at an endowment, PE fund or hedge fund

Pay-package components for CEOs (percentage of survey respondents in parentheses)

(86%) Base salary: Standard component of most family office packages.

(65%) Discretionary bonus: An important part of incentivizing investment teams in family offices where some investment decisions may be driven by subjective family preferences.

(31%) Metrics-based bonus: Based on objective performance indicators such as total fund return, IRR targets or reaching a certain milestone. Only 31% of families employ this mechanism, mainly because in many cases investments decisions are often influenced by the family.

(23%) Carry in underlying investments: Similar to PE funds, many family offices today offer carry in underlying investments to the investment team. This may drive the team to execute as many deals as possible because they benefit from successful transactions, and pay no consequences for unsuccessful ones—misaligning incentives between the team and the family.

(27%) Co-investments alongside the family: Key family office leaders are able to allocate their own equity into investments the family office is pursuing. This creates long-term alignment of incentives between the family and senior staff.

(7%) Profit center: Family office leaders own a minority stake in the family office. The office is treated as a service provider, earning fees for services. Profits accrue to the family office leaders, ensuring that leadership has a full "owners' perspective."

Diagram title: etermining the compensation mix

Many family offices simply offer executives a base salary and a discretionary cash bonus. This allows the family to decide how much value the executive has added to the office over the past year, and to pay accordingly. Although it provides maximum flexibility for the family, there may be less incentive for the executive, because they don't have a concrete idea of how their annual performance-based compensation will be determined. And it may not be the ideal compensation mix to effectively drive desired behavior.

Diagram on page 5, Determining the compensation mix

Subhead: **Moving from discretionary to metrics-based performance incentives**

Some family offices prefer to be more prescriptive and offer annual metrics-based cash bonuses structured so the executive's performance compensation is based exclusively on measurable data. In this case, the executive will have clear guideposts as to what results they need to achieve in order to maximize their compensation. Some common metrics include achieving certain IRR targets or total fund return.

When considering metrics-based performance incentives, it's important to keep two things in mind:

1. The behavior you're trying to drive

While it may seem smart to reward someone for earning significant returns for your family, it's important to assess what type of risk-seeking behaviors you may be encouraging in rewarding an executive based solely on the attainment of a higher overall return. Assuming the executive isn't putting their own personal wealth at risk, they will be rewarded for upside without taking on the risk of any downside. This may incentivize an executive to pursue an overly aggressive investment strategy.

For under image Source: "The Single Family Investment Office Today: A primer on structuring an investment office to achieve family objectives and societal value," World Economic Forum and J.P. Morgan, August 2016.

2. The impact of family involvement

The level of family involvement in investment decisions, and the process for evaluating and approving investment opportunities, should be considered when implementing a metrics-based plan. For example, if a CIO sources a great investment opportunity, but is then required to discuss with the family and wait for potentially lengthy investment committee approval before investing, the delay in executing the investment may be costly. If the CIO's hands are tied, it could impact the family office's ability to participate in an investment or even negotiate the deal terms. And if the CIO is compensated based solely on metrics, they may be frustrated by their inability to execute deals timely.

Thus, if your family office likes to be hands-on with the investment process, it is worth considering whether metrics-driven awards are truly the best option or whether the family should be given discretion over all or a portion of annual performance bonuses. In all of these cases, we should note that the cash compensation would be taxed as ordinary (compensation) income when received.

Motivating longer-term investment decision making through incentive pay

While discretionary and metrics-based annual bonuses offer payouts tied to the performance period (fiscal or calendar year), there are alternatives that can better align executive pay with longer-term performance. Your family office could grant executives phantom equity, an award that mimics actual equity but is paid in cash. Phantom equity can vest over time, with specified cash payout dates, thus shifting the executive's incentive structure and performance period to a longer term, for example, to 3 or 4 years.

Additionally, your family office could set up a phantom performance award arrangement. You would first identify the plan metrics (often two or more), and then provide a range of cash payouts contingent upon the attainment of these metrics. For instance, if the goal is to achieve a 5% IRR, an executive would be eligible to receive 50% to 150% of a target dollar amount at the end of the performance period, depending on actual IRR, over a certain number of years. The performance period and payout period can vary; however, a typical performance-based plan vests after three years and is paid out thereafter, either in total or via installments over a period of two to three years.

A family office seeking longer-term alternatives to cash compensation, that also align the family's interests with those of the executives, should consider offering co-investment ("co-invest") opportunities and carried interest ("carry") in underlying investments. If structured correctly, co-invests or carry can be taxed at preferential capital gains rates. (Please note the tax rules relating to co-invests and carry are complicated and outside the scope of this article). These vehicles typically have lengthy time horizons of up to 10 years in some cases before providing returns, so the executive may be without cash and will need to balance the potential benefits with near-term liquidity needs.

In the co-invest structure, executives are given the opportunity to invest their own money alongside the family's money. This does two things:

1. It allows the executive, who finds and sources deals, to capture some of the upside, with their own money
2. It ensures the executive is confident in the investment profile and is taking a prudent amount of risk, because their own funds are being invested and are at a risk of loss

For executives who don't have the requisite liquidity to participate, co-invests can be structured as follows:

1. The family office could offer a loan to the executive. In this case, the executive could invest the money, but would need to pay interest at market rate during the term. When the investment is liquid (assuming this is the case), the executive can repay the loan.
2. Same as above, but the family office agrees to match, up to a certain percentage or dollar amount, the executive's investment. The matching amount would be considered ordinary income to the executive.

As an alternative, carry allows an executive to participate in investment upside after a return of capital and a specified return on the investment. Carry can thus be a powerful incentive to executives, especially ones recruited from private equity firms who are used to receiving this type of pay. Of important note, unlike a co-invest, where the executive's interests are aligned with the family's, carry has the potential to motivate executives to enter into as many deals as possible, creating higher investment risk, with no downside for the executive.

What about longer-term ways to compensate family office executives?

Truly integrated family office executives can feel like an extension of the family. To reward these individuals for their trusted diligence and counsel, and also ensure they keep the executive for the remainder of their career, family offices can consider a customizable pension plan, such as a supplemental executive retirement plan (SERP) to meet their needs. SERPs can be offered selectively to key employees and allow the family office to set aside money on a tax deferred basis (for the employee), with employees paying ordinary income tax upon receiving funds in retirement. The plan will detail vesting requirements and eligibility considerations. SERPs can provide a substantial benefit in retirement and therefore incentivize loyalty to the family office.

Key takeaways

A robust executive compensation plan can be an invaluable tool in attracting and retaining the right talent to grow and drive your family office. As we've discussed, there are numerous tools, structures and incentives available to you and your family to draw and incentivize high-level candidates while ensuring their goals – both long and short term – remain aligned with the values and culture of the family. No matter the size of your family office, whether starting with a small core team or growing into a more institutional framework, ensuring you have the right executive compensation plan in place can pay dividends down the road.

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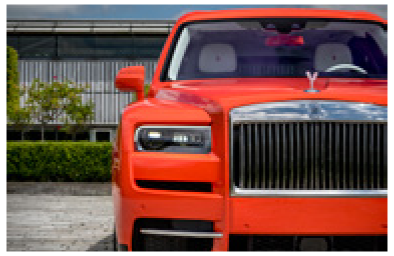
ROLLS ROYCE

ROLLS-ROYCE MOTOR CARS PRESENTS BESPOKE CULLINAN IN FUX ORANGE TO FAMED COLLECTOR



ROLLS CULLINAN ROYCE

by Kevin A Murphy

PRESENTS BESPOKE CULLINAN IN FUX ORANGE TO FAMED COLLECTOR

Rolls-Royce Motor Cars has dozens of colors reserved for numerous clients around the globe. Among the Rolls-Royce Motor Cars he has commissioned, Mr. Fux now 'owns' ten Bespoke colors, more than any other patron of the brand.

Rolls-Royce's craftspeople and designers create unique, one-of-a-kind Bespoke commissions. A Bespoke color is only one of the many hundreds of features offered for luxury collectors seeking a commission from the Home of Rolls-Royce, Goodwood.

Car collector Michael Fux today received his twelfth Bespoke Rolls-Royce commission, and it was another stunning reveal. Unveiled at 'The Quail, A Motorsports Gathering', Rolls-Royce Motor Cars debuted the spectacularly colorful commission, 'Cullinan in Fux Orange,' marking the tenth time the brand has developed and reserved a color carrying the name of the prolific patron of Bespoke

"Michael is a true patron of our Rolls-Royce Bespoke artistry. He has continually brought us color challenges ranging from exterior finishes to perfect color matching for a variety of materials throughout his creations. For more than a decade, my team has never failed to deliver for him and the brand. He has created a collection of Rolls-Royce Motor Cars that will grace the lawn of Pebble Beach and Concours around the world for the next century." Torsten Müller-Ötvös, Chief Executive, Rolls-Royce Motor Cars.

Working with the Bespoke design and color development team at the Home of Rolls-Royce, Goodwood, Mr. Fux challenged the designers to match the exterior color to a vibrant orange ladies wrap that caught his eye in South Florida. He purchased the wrap and had it delivered to the Rolls-Royce Bespoke Collective. Working together for nearly a year, the teams delivered the perfect surface application of more than seven layers of finish polished by hand for multiple hours in the Surface Finish Center. The exterior even features black Cullinan wheels and pinstripe wheel centers in the bright 'Fux Orange.'

The interior is decked in hand-crafted Arctic White leather with offsetting Orange stitching and Orange Rolls-Royce 'RRs' on the headrests. Arctic White is carried over to the luxurious box grain leather fascia, steering wheel control stems and carpets. The designers brought color contrast with 'Fux Orange' finished fascia veneer, rear-

view mirror and lambswool floor mats. The contrast of white and color showcased the artisanship with exacting standards for the Rolls-Royce craftspeople. Mr. Fux's Rolls-Royce cars are the highlight of his collection including more than 150 of the world's most unique and colorful motor cars. Arriving in the United States a young Cuban immigrant, Mr. Fux built a series of successful businesses in the bedding and linen industry. Today, he strives to give something back to the communities he has worked in. Since establishing Te Michael Fux Foundation in 2006, he has donated millions of dollars to enrich the lives of children stricken with serious illnesses. In addition to building the Fux Family Center at the Miami Children's Hospital, Mr. Fux and his wife Gloria hold multiple events each year to sustain the center and entertain the children. The colorful collection of cars are used at fundraisers to raise money to benefit those in need.

THE FAMILY, THE FAMILY OFFICE AND THE FAMILY RESPONSIBILITY

By Dr. Ariel Sergio Goekmen, LL.M. Member of the Executive Board
Schroder & Co Bank Zurich and Geneva

From a libertarian viewpoint, all families seek to ensure that their children grow up to become independent, self-reliant, socially productive members of society. In advisory discussions, our family clients and their family offices tell us that they are concerned by a number of issues in this regard and unsure how to resolve them. Below, we outline some of the concerns we frequently address in discussion with our family clients and family offices.

Uncertainty about the future makes it very difficult for parents to decide whether their children should be influenced to be educated to become engineers, lawyers, medical doctors or senior executive directors, or whether they should venture into the creative arts. It is a conundrum for many families and their family offices to define at what age children or young adults should be initiated into the secret of how wealthy they are.

Deciding on the appropriate age to impart this knowledge, and later even making all or part of the wealth accessible, is problematic, because this rite of passage also imposes a burden of responsibility on the recipient. Plato and Aristotle both were critical of wealthy people, and in my view they concluded that for wealth to exist, it must also be used. Wealth from a libertarian viewpoint must be invested in enterprise to bear fruit and eventually create jobs; its purpose is broader than satisfying the consumption needs of the next generation. How to go about this?

Many families have reservations about informing their children about their wealth prematurely; they worry that doing so could nurture the growth of wrong values and undermine their children's character. The children might realize that they will never need to earn a living when they are adults, and this could erode their incentive to finish their education or induce them to study without achieving good results. A lack of motivation could turn them into idle 'trust zombies', who live in the hope of receiving their inheritance and simply live off the fruits of previous generations' labour.

So how is this conundrum resolved? How can families ensure that the next generation becomes as diligent and socially productive as the previous one, thereby increasing wealth instead of dissipating it? In our conversations with wealthy families and their family offices, we often find that the following actions and measures, organized by the family office or the family's advisors, may help set family offspring on the right course.

Lead the children early by example

If the parents spend their money extravagantly and live a life of conspicuous luxury, it is highly likely that their children will be accustomed to this lifestyle and remain habituated to it later on in their lives, even without a penny of self-earned income. It is therefore difficult, if not impossible, for such children to imagine a future that is frugal, where they have to work hard, if the previous generation has not led them by example. It may be hard for the senior generation to adopt this exemplary role, but it is essential that they assume this responsibility in order to ensure that virtuous patterns of behaviour are passed on to the next generation. It is equally crucial that parents present these patterns of behaviour consistently from the beginning.

Live by the right values

Successful families often have family mottos that they live by, slightly different from the ones used by families with a heraldic title; for example, "Millers treat their customers fairly," "Millers invest and don't speculate," and "Brick and mortar are the best." This sounds rather pedestrian, but it can actually work like an algorithm that maintains family values over generations. For example, "We never sell real estate and never borrow money" can lay the foundation that secures the continued success of a family real estate portfolio for generations, as without debt, even a deep economic crisis can be survived, because no maturity dates loom.

Interestingly, these algorithmic statements do not only work for commercial strategies. They can also apply to a family's attitude towards life. For example, one family told their children: "You can become anything you like, but you must be the best in your field. If you become a musician, you must play at Carnegie Hall. If you become an architect, you must construct buildings that still impress people in a hundred years.

If you become a teacher, you must teach at Oxford or Cambridge." These pragmatic principles are about adding value to society at large and contributing as an individual and personally to the advancement of society or the community in a measurable way. Here, I refrain from using the clichéd expression "giving something back to society," because critical minds may ask whether something was taken from society without the right to do so before.

Let the children practice often

For every age group, there is an opportunity to help the child understand something about the responsibilities tied to wealth. Some family offices that we know organize days where the youngsters come together and have to select a charity project that they will personally contribute to. This ranges from cleaning the city park to helping the elderly or handicapped for a day. It can also be something cultural, like performing a concert in a park frequented by elderly people or children and doing this to a demanding standard, thereby bringing joy to many others.

Later, especially when the family has a charity, adolescents are invited to rate and choose projects which should be funded. They become project leaders at an early stage. They learn how to spend money prudently by investing, at the same time contributing to a good cause. This trains them to assess actions and outcomes, which is an essential decision-making skill for entrepreneurial success in their later lives.

Lastly, family members are often brought together after leaving university by the family office or advisors for a day or week to be educated in crucial financial and managerial fields. These courses cover a range of topics: How does the stock market work? How does our firm or a bank earn money, and what are the drivers? What do other families do, and what makes them successful? This training can be accompanied by a banking training, an internship, or a strategic social training where young people learn to build professional networks with peers who share similar attitudes and values.

In conclusion, a great deal can be done from an early age to ensure that the offspring of rich families acquire the right family values and can calibrate their compass for the future in order to map out their careers as successful, independent, self-reliant and socially and pecuniary productive members of society. Successful family offices and their advisors, such as banks, support them in doing so from an early stage onwards.

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BIG DATA, BIG DATA, BIG DATA...SO WHAT?

By James J. Beddows III

The term "Big Data" has become obfuscated, over-used and misunderstood as marketeers over the years have reinterpreted its meaning in their attempts to sell its benefits.

James J. Beddows III

Co-founder of TDP Data Systems

In a similar vein the coining of "Smart Cities" hailed as the apogee of applied tech sold by large corporations presents a challenge to framing the concept in our minds. So, how can we understand Big Data in 2019 in a way that we can apply it meaningfully and profitably to our businesses?

There are many data startups emerging with data tools and data visualizations, alongside large corporations that offer suites of such tools, databases and platforms. These can be helpful if you are a dedicated data scientist or analyst. For them, they are akin to specialized tools like a hammer for a carpenter. However, before the carpenter can make use of those tools to build the house, the informed vision of an architect and the managerial oversight of a general contractor are recommended. Similarly, data scientists need an objective and master plan from which to apply their data science skills, just as the architect envisions a house.

Strange then that at the C-Level, the Forbes Global 2000 ranked corporations are asking for the "house." What does the house represent for these senior executives? They want to know what their next new business move should be. They are manufacturers, who now want to be service providers. An in turn they are service providers, anxious to be managed-service providers, but do they truly understand their objectives and how to reach them effectively and with surety?

What is driving the accelerating corporate angst? It seems to be their growing innovation gap. Their inability to keep up with the exponential rate of change across science, technology, engineering and maths. This so called STEM focus, leads them to fall behind the rate of market innovation. While STEM is moving forward at an exponential rate, most corporations can only progress at a linear rate at best. An example of this is presented by large industrial manufacturers who are now struggling to catch up with the business implications of the explosion of the internet of things ("IOT").

Another trend we are witnessing is from hardware manufacturers, such as telecom equipment manufacturers. Here, the router hardware is being overtaken by software - software defined networks ("SDN") and network feature virtualization ("NFV"). The net effect now projected is that within the next ten years 75% of the companies listed on the Fortune 500 will be new entrants foretelling a major and growing innovation gap.

So, the "house" for each of these 'Global 2000' corporate players must be to build the vision for their next business. Data can define and support the architectural design of these new businesses in very specific ways. It can help the decision maker overcome what we call confirmation bias by listening to what the data says instead of relying on personal experience and heuristics.

It allows decision makers to scan horizontally across a vast amount of statistical data for hidden opportunities, providing insight that would otherwise be humanly impossible. It offers a dramatic increase in scope of vision: think discovery of the telescope instantly revealing a Galileo's dream of celestial bodies! More recently, the Hubble telescope revealed previously unimagined new phenomenon in the universe.

As an executive at a large European pharmaceutical company recently said: "We are looking for the emerging technologies from other industry verticals that Gartner Research has not yet written about for application in our own industry". Companies seek both their "known unknowns" and the "unknown unknowns."

This paves the way for the generation of new investment opportunities that cut across the siloed decision makers and sequestered knowledge managers. In short, it will permit a new wave of investment arbitrage.

Thus, big data applied to the right questions can be an incredible enabler for change and point to potential returns on investment. This technology is available and being used by progressive companies today. A case in point is a Japanese global 2000 manufacturer who took the concept for the application of artificial intelligence ("AI") to industrial equipment such as motors, to vetting over a million startups, shortlisting twenty, then flying to Europe to start a Proof of Feasibility ("PoF") test.

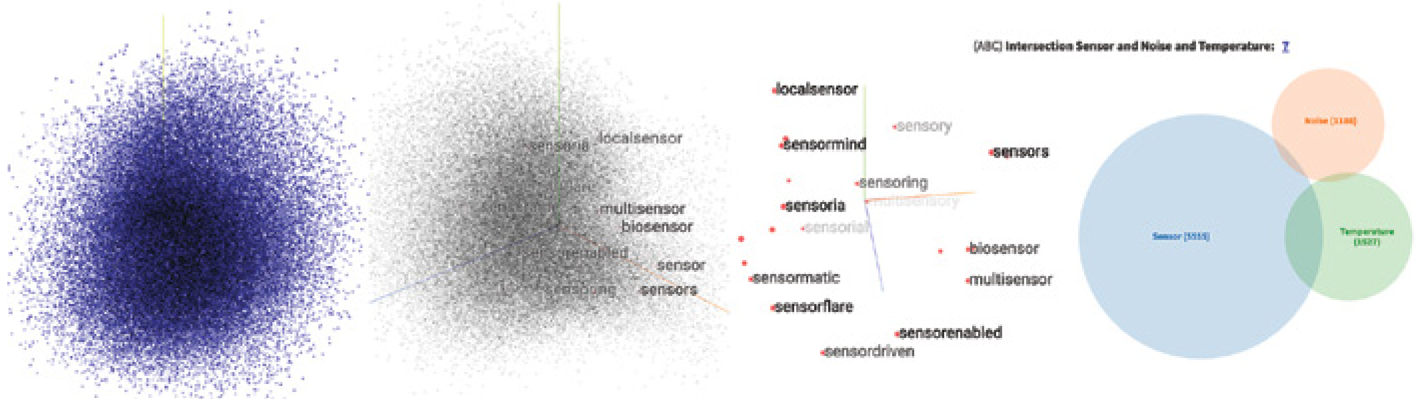
What was remarkable was that this was all done within an extremely compressed period of eight weeks, enabled by the appropriate application of big data through a specific, data-driven process. It may have been a record in terms of time for required decision making by a large Japanese corporation and moreover it was supported by the confidence of having real time statistics.

The process itself combined the best of computer intelligence with the best of human intelligence. For instance, computers, AI, and machine learning ("ML") are great at crunching vast amounts of data in a flash of time, but these technologies lack human intuition. On the other hand, people generally have a hard time memorizing a number string longer than their phone numbers so combining computer and human intelligence provides advanced-human decision making. This was how the Japanese manufacturer was able to go from initial ideation to PoF in eight weeks.

How does this growing response to use of data by Global 2000 corporations apply to family offices?

First, corporations are increasingly understanding that they need to innovate more and innovate faster. This means they must continually generate new ideas for potential commercialization and do so rapidly. They then have to test these ideas by conducting PoF and Proof of Concept ("PoC") in equally timely fashion.

But this generates issues for corporations, such as having to go through a lengthy budgeting and approval process to fund these tests with the growing need to collaborate with cash-strapped startups and university researchers.



Enhanced human decision making across billions of startup data points in real time to reveal hidden, actionable insights

This creates a timing issue whereby a corporation may have to wait for a funding cycle to start a test, while the market is quickly moving on.

This issue for corporations is a rapidly growing investment opportunity for family offices who can make decisions faster and have ready cash to invest in exciting statistically sound ventures.

Second, there is philanthropic trend for corporations to leverage their investments for both commercial and social gain for double-line impact. This is also in line with foundations and NPOs seeking opportunities for impact investing to benefit both their endowment and their social mission.

The difficulty is truly in connecting the dots quickly across public and private entities, to find the hidden opportunities. This can be seen in both in the UN's 17 Sustainability Goals (e.g. To ensure healthy lives and reduce mortality rate attributed to household and ambient air pollution), to the U.S. Federal Government's medical research from the National Institute of Heath stating that poor sleep is a contributing factor in the onset of dementia and Alzheimer's disease.

Here, the world's largest air-conditioning company can then be paired with startups from around the world to address the underlying root causes of poor sleep such as harsh lighting, noise pollution, or outside air pollution. Again, combining computer and human intelligence to provide advanced-human decision making directly addresses this challenge. Hereby lies the second opportunity for family offices; impact investing that leaves a legacy for social good.

The number of socio-economic pain points is accelerating. At the same time, data-driven processes and enhanced human decision-making provide the means to exponentially increase the number of potential solutions to these pain points. To help close the innovation gap is to help close the pain-point gap.

How is this enhanced decision-making being enabled? One data company, TDP Data Systems, has been funded by Global 2000 ranked corporations since 2016 and has helped them to close their growing innovation gaps through enhanced decision making and is now extending it to other public-private channels. This process has generated over seven thousand potential innovation solutions to date and is enabling them to put theory into practice.

Family offices looking for investments where highly tuned data insights can provide them the decision making support they need to make those investments quickly and at the same time have the comfort of a positive socio-economic impact could benefit from looking into the work that TDP is currently conducting.

Mr. Beddows is the co-founder of TDP Data Systems (www.decisionplatform.io) which draws upon his thirty years of experience as a Fortune 50 intrepreneur and as an entrepreneur having helped launch over US$3B in new products and services around the world across a wide range of industry verticals. He is based in Palo Alto, California in Silicon Valley.

SIX BEST PRACTICES FOR FAMILY LEADERSHIP SUCCESSION

Stephen A Campbell, Chairman, Global Family Office Group, Citi Private Bank

There are few things that trouble wealth creators as much as the question of how the next generation of family members will assume the mantle of leadership and contribute positively to business, society, culture, or politics. We find this to be a universal imperative for families regardless of geography, culture, or religion. Finding a path towards leadership in an affluent family can be highly challenging and requires careful preparation and execution. So, how might a family approach the leadership succession process in a way that acknowledges differences in roles, attitudes, and motivations?

Families that successfully navigate generational leadership transfers often practice six specific best practices that we examine below. These practices are not unique to families and can also be observed in major corporations around the world. However, the ways in which they are applied are quite unique to families and require nuance and adjustments based on the extended family's particular circumstances and dynamics.

Education and personal development

An essential element of an effective family leadership development process is the identification of key steps and resources available to next generation family leaders. Ideally, such development is viewed as a life-long process, and addresses both emotional intelligence skills along with management oriented leadership development. Best practices include formal and informal education, along with mentoring.

An effective approach will include both technical education elements — for example, business, the arts, finance, or social work — as well as personal EQ development — for example, self-awareness, communication, and problem solving. Arguably, the most effective leaders in any context combine elements of both technical skill and strong emotional intelligence. Families will often create an age appropriate timeline of personal development resources, such as exposure to family history and stories for teenagers, next generation programs for those who have just finished college, and roles on family or community committees for those aged between 25 and 40+.

Acknowledgment and communication

Successful families recognize the need to proactively manage the development of future family leaders. Although it might be assumed that successful and affluent families would automatically do so, that is not often the case. Although it is rare for family principals to disavow the importance of leadership succession, they may put little effort and few resources into creating a robust process. This results in initiatives that are begun far too late in the leadership succession cycle, or even not at all.

Effective family transition practices begin with a sincere dialogue among key family members on the importance of leadership succession. The goal is to go beyond casual conversations and to probe the fears, interests, and expectations of both seniors and successors. This requires stepping out of 'parent-child' roles and other traditional patterns of communication, to create a forum for candid and honest interaction. This is not easily accomplished, and many families will turn to a trusted third-party facilitator such as an estate attorney or skilled consultant to mediate this process.

The outcome of this dialogue can be a simple agreement on a timetable and actions, or, as is often the case, formally set out in a document that confirms the family's views, key roles, policies, and commitment to leadership development and succession. The document serves as the basis to communicate these views to the extended family and interested parties.

Well-articulated, perpetual process

Successful families not only acknowledge the need for an effective leadership process, but also embrace a clear and open transition policy. They embrace the notion that leadership development is an ongoing process, and understand that "leadership" takes many forms in the family and its enterprises.

Families will set forth what is required of potential leaders with regard to education, work experience within or outside the family enterprise, personal conduct, characteristics and values, as well as key measures of success. Successful families shun nepotism and set high standards for family members or leaders brought in from outside. They never compromise when filling key leadership roles and avoid giving family members preferential treatment for promotions, compensation, or leadership opportunities. They also take a multi-generational view on transition and embrace activities that continually groom potential new leaders with a range of backgrounds and experiences.

Setting eligibility expectations for board, executive, or family roles, and believing in a perpetual development process makes it clear to all what is expected of current and future family leaders, regardless of age or role. It serves to emphasize the importance of succession in the family and allows many forms of leadership to take shape.

Collaborative paradigms

Many first- or second-generation family matriarchs or patriarchs grew up within a model of autocratic family leadership where the family leader was the sole arbiter of major life decisions, proper behavior, and reward and punishment systems. Contemporary successful family leaders shun autocratic behavior, and instead take a collaborative approach to communication, engagement of family members, and decision-making. They are comfortable reaching across generations to obtain input and promote dialogue and collaboration from a wide range of sources, and engage non-family members in key governance roles.

Understanding motivations

Families who successfully navigate complex transitions understand the motivations of the key participants. What is often said during a transition conversation may not reflect the true underlying motivations of the participants. Occasionally, seniors or successors may themselves not be in touch with their true feelings about giving up or assuming leadership responsibilities. Creating a relationship, environment, and process that allow for the expression of true feelings, and articulating, hearing, and challenging those feelings will enhance the likelihood of success. For some, this may be a more natural process, but for most it requires a skilled facilitator and many hours of candid conversation to expose underlying feelings gradually.

A best practice among families who successfully navigate these waters is to embrace open communication, make no assumptions, be flexible and encourage a range of options while making the family's needs clear and, in the end, accept that decisions are not made for the whole of life. Often family members will enter or exit the business after having pursued other vocations or passions.

Acknowledging and correcting mistakes

As with anything else in life, there will be failures in leadership succession in either the developmental or formal leadership role stage. This may be due to any number of factors, but an effective family leadership process anticipates this, and acts accordingly.

In this regard, families may avoid failures by adhering to a few basic principles:

- Formal role and performance guidelines – absent clarity around expectations concerning both the "what" of needs to be achieved and the "how" it should be achieved, alignment cannot be achieved.
- Periodic candid feedback – there are no substitutes for effective communication. Providing thoughtful and balanced feedback on a regular basis is essential to identifying problem areas early, and reinforcing favorable behavior.
- Remediation plans – when challenges to performance, personal style or communication arise, identification of the problem areas must be accompanied by thoughtful remediation plans.
- Action – As and when the determination has been made that change is necessary, undertaking those changes promptly and fairly ultimately serves the best interests of all concerned.

In closing, experience suggests that much can be learned from families who successfully navigate leadership development and succession.

KEEPING IT IN THE FAMILY – FOCUS ON ASIAN FAMILIES PRESERVING FAMILY WEALTH FOR FUTURE GENERATIONS

by Dhana Sabanathan, partner International Private Client team, Winckworth Sherwood

Advantages for families from India and Pakistan

Hard working individuals who are happy to pay taxes during their lifetime are often surprised that up to 40% of their wealth will be taxed when passed to the next generation upon their death. However, due to the unusual concept of domicile, individuals originally from India or Pakistan may have the opportunity to significantly mitigate inheritance tax upon their death. Both India and Pakistan have highly beneficial inheritance tax treaties with the UK, which enable advantageous planning to protect assets located outside of the UK from inheritance tax.

The concept of domicile is not defined in statute; instead, it is established by case law. Determining an individual's domicile involves considering many different factors of an individual's life and their connections to different countries and often necessitates asking very personal questions.

The benefit of legal privilege (which means information disclosed by an individual in order to receive legal advice is protected from being disclosed to HMRC) often means that a lawyer is best placed to provide this advice.

Furthermore, this domicile planning can be effective even in relation to long-term UK residents (i.e. those who are now treated as "deemed-domiciled" by virtue of residing in the UK for more than 15 out of the previous 20 years). Whilst many individuals may have a simple will in place, it takes specialist advice to create a proper estate plan to mitigate tax on death. Such planning should always also involve a thorough domicile review. HMRC can challenge an individual's domicile position on death and are far more likely to be successful if proper legal and tax advice was not taken at the time the will was drafted.

Keeping control

A lot of Asian families have invested heavily in property in the UK, both residential and commercial. Mitigating inheritance tax on death can be difficult with this asset class, but there are lifetime planning opportunities to explore. Often, and quite understandably, older family members want to mitigate inheritance tax but do not want to lose control of their assets. However, there are tax-efficient ways of co-owning a property portfolio in order to mitigate inheritance tax on death, whilst ensuring family members who created the wealth keep some control, and keep the rent generated by these properties. This means the majority of the value of the assets can be passed to the next generation, without the older family members losing the benefit of the revenue from the assets, and without risking the properties being sold without their consent. This planning requires specialist legal advice to put in place.

A family investment company is another vehicle that enables older family members to retain control over assets whilst accumulating wealth in a tax-efficient manner and facilitating future succession planning. The current rate of corporation tax (19%, due to reduce to 17% from April 2020) compares favourably to personal tax rates (of up to 45%), which would apply to investments held by family members personally. Furthermore, there is considerable flexibility when it comes to how voting rights, dividends, and capital are received/owned by different classes of shareholders.

This will be bespoke planning according to the wishes of each family. For example, some older family members may wish to receive dividends and keep the voting rights but want the capital value of the company to be out of their estate and in their children's estate for inheritance tax purposes. Others may wish their adult children or minor grandchildren (who may not yet be taxpayers) to receive dividends in order to utilise their tax-free personal allowances and lower tax rates. This may also be an attractive vehicle for the payment of school fees.

Again, families from India or Pakistan may have the ability to keep the value of a family investment company outside the scope of inheritance tax. Whilst this involves using an offshore company, there is no requirement to appoint an offshore professional director. As with a UK company, the family members can be the UK resident directors of the company, and so the ongoing costs of administration of the company are relatively low.

Succession planning for Family Businesses

It can be difficult to discuss and put in place plans for how family owned businesses pass on to the next generation. However, such conversations and planning are essential if the business is to continue to thrive and grow, rather than suffer on the death of a founding/principle member. It's important to prevent such families from falling into unexpected tax pitfalls when they are considering selling their businesses and mitigate tax on both the corporate and personal level. Speaking to an advisor at least two years before the anticipated exit from a business can help maximise tax planning opportunities.

Protecting Assets from Divorce

Another way family wealth can easily be dissipated is through divorce, unfortunately an increasingly common occurrence in all cultures. Pre-nuptial (pre wedding) and post-nuptial (during the marriage) agreements protect inherited and other assets. For Asian families, often the wedding itself can be a significant financial outlay in terms of both wedding costs and gifts to family members, so it makes sense for financial arrangements to be agreed upfront. Pre-nuptial and post-nuptial agreements (which are increasingly upheld by courts, although not yet governed under legislation) are an essential form of financial planning and asset protection.

Such agreements are particularly vital for those who own or co-own businesses. Where the business is the most significant asset, without the existence of an agreement, the Family Court can force a sale of the business to fund divorce settlements. This can cause significant disruption to the business, let alone the personal distress of seeing the value of the business leave the family.

An advisor can take a holistic approach to both the personal and business assets of the family and guide them through the different options available to help protect their wealth for future generations.

www.wslaw.co.uk

ARE PRIVATE BANKS BREAKING NEW BOUNDARIES IN HNW LENDING?

by Paul Welch, Founder and CEO largemortgageloans.com

Whether you are looking to borrow £500,000 or £50 million, being creative in using assets that you already own can achieve much higher loan-to-value ratios, using what we call a 'blended facility.' What do we mean by this? Let's take an example.

Imagine you own shares in a company such as Vodafone and a property worth £10 million. As part of a blended facility, you can custody the shares on a private bank's platform. The bank can then take a charge over both your property and the shares to achieve a 100% loan-to-value against the property. The result? You can borrow the full £10 million value of your house, with the shares acting as additional security.

In the finance world, we talk a lot about margin lending, which some call Lombard lending. The term dates back to the Middle Ages: the West was significantly expanding economically during the 12th century, and Italian merchants from the Lombardy region were the first people to understand the opportunities in the consumer loan market. Their popularisation of loans of this nature marked the inception of the beginnings of the banking profession.

Lombard lending means that the asset remains invested and a loan is raised against that asset. The client places custody of the asset with a private bank to achieve margins from 25 to 400 basis points, depending on the liquidity of the underlying asset.

If it's an AIM listed stock, for example, there is less liquidity, and therefore the loan-to-value would be lower and the margin higher. On a more liquid stock, such as our Vodafone example, then you will achieve a much higher loan-to-value and a much lower margin.

Paul Welch
CEO largemortgageloans

Stocks and shares are not the only assets that can be considered. Passion assets such as jets, yachts, art, cars or wine can be used as additional security, and each offers differing loan-to-value ratios, depending on the underlying asset.

Generally, using assets under management (AUMs), you can negotiate much higher loan-to-value ratios and much lower margins. However, the key change we have seen during 2019 is that private banks have moved into unprecedented territory in considering up to 70% loan-to-value on a 'dry lend' over £10 million.

That means they will consider a 70% loan-to-value on £10 million at margins from 1.5% without assets under management on the other side of the balance sheet to secure the loan.

Naturally, this type of deal is relatively exclusive and led by effective negotiation through a broker team which understands the type of clients that banks are trying to attract. However, it is a real step change for the industry. Previously, we had not seen loan-to-values higher than 50% above £10 million, so this really is unique and extraordinary territory for private banks, who are using their balance sheet to attract the right type of client.

How do we negotiate this type of deal? It's all about the individual set of circumstances. Understanding our client's situation and being able to present it to the private banks that we work closely with means that they're able to take an individual and tailored approach to each case, based on its individual merits. That means the products are shaped by both the bank and the client to be truly bespoke.

What's the driver for this type of product? This shift change has been driven by private banks needing to compete in times of uncertainty, and these are indeed uncertain times. Earlier this year, we saw an incredibly unusual situation in swap rates.

These are the fixed rates that a receiver demands in exchange for the uncertainty of having to pay a short-term rate, such as the Libor or Federal Funds rate.

In July this year, 10 and five-year swap rates reached a lower level than two-year swap rates. This indicates that markets think that rates will be lower in the long-to-medium term than in the short-term. Brexit has left the Bank of England's long-term strategy to raise interest rates effectively in tatters, and the swap rates reflect the fact that markets believe it's highly likely we will see interest rate cuts before we see rises.

Put simply, it's cheap to borrow money, and it's likely to remain so for a long time. Therefore, competition is running high with private banks, and what we are seeing is a play for them to cultivate client relationships in these uncertain times.

Our team is seeing private banks agree to lending terms of three to five years, which can be fixed. If you're looking for a 'dry lend' above the £10 million mark, there are private banks that will offer as high as a 65% loan-to-value. The lowest margin we have seen is 1.2%, but again only for a very specific clients. In this particular example, our client had assets in excess of £75 million. Based upon that information, the private bank was happy to offer a dry lend with no further business.

Yet another reason we are seeing this move is that private banks are mindful that valuations have been squeezed in a stagnant housing market. In June of this year, the ONS/Land Registry index reported values as 2.7% down year on year in London. Anyone looking to leverage a prime piece of real estate is likely to be looking at a much lower valuation than they were three or four years ago. However, the banks are taking a long-term view that values will bounce back over time in prime areas, buoyed by the fact that overseas cash buyers are already finding London to be a very strong investment due to the weak pound.

What this shows us is that the private bank sector has a range of different offers and requirements for the right clients, all of which can be negotiated and tailored to individual circumstances. Like all transactions, it's vital to stay informed and work with trusted advisers to ensure you're up to date on the current trends, and the best deals available.

www.largemortgageloans.com

MARKUS LEHNER FAMILY OFFICE

by Ty Murphy

Markus Lehner is the Principal of the Markus Lehner Family Office based in Monaco. In this interview, he shares an interesting perspective of a highly successful family office based in the principality.

Mr Lehner was born in Vienna and has been living in Monaco for 24 years. He is a well know speaker at family office events and this year he chaired the Ritossa Family Office Summit in Monaco.

We caught up with Mr Lehner at the Sir Anthony Ritossa 9th Global Family Office Investment Summit, which was under the High Patronage of H.S.H. Prince Albert II of Monaco.

FOM: It must be wonderful to be named the Chairman of the Sir Anthony Ritossa Summit, how important is it to the family office community?
ML: Yes, it's an honour and a privilege to have been appointed Chairman. Sir Anthony's summits are the best seminars in this field. Many crucial elements are shifting in the investment industry and in the family office space. The timing is indeed perfect and Sir Anthony hits the spot with his chosen topics, the delegates and of course the location of the summit."

FOM: Did you come from a wealthy family?
ML: Not at all, I was not born rich and my family never had a lot of money, we were just ordinary people. I am a self-made man and everything I have has been created during my lifetime. When I was a child, we never went on expensive holidays; my family took me mostly to the Italian coast, as this was what they could afford. That's why Italian was my first foreign language.

FOM: You also speak other languages. Does this influence your investment decisions?
ML: Well, it does influence my investment choices and also my general decision making, mainly because when you speak the same language as the locals you could also "read between the lines" a bit easier.

FOM: Why a Family Office?
ML: Very simple, because when you do so many - not to say "too many" - things at the same time as I often

Markus Lehner
Founder Markus Lehner Family Office

do, then you need to have the right people not only in your companies, but also in you personal environment to give you the best possible support.

FOM: Why set up a Family Office in Monaco?
ML: Not too long after I have started my business life more than 30 years ago, I had, already with me, an assistant and later on I stated to employ a few people more in my personal environment. At that time it was called a "personal or private office". Nowadays it is called a Family Office, but I guess I always had one without knowing that this is what it was.

FOM: Can you tell us about regulations in Monaco?
ML: In Monaco, it is very simple: as long as you are only managing your own accounts, like me, you don't need to be regulated. It's when you look after the money of other people, you have to be regulated, which I think is how it should be.FOM:

What is your Investment strategy in Monaco?
ML: I do not invest in Monaco at all at the moment. Monaco is where I live, when my family lives and my children go to school. All the companies I own are outside the Principality.

FOM: Where is the primary demographic for investing for your Family Office in this case?

ML: My own investment activities are mainly in German-speaking countries, such as Austria, Germany and Switzerland. There are several reasons for this: the main one I think, is that I speak German as do more than a hundred million others in Europe, so there is an affinity there. I also find that the markets are very well regulated and the legal systems work exceptionally well in those jurisdictions.

FOM: Have you considered a Virtual Family Office?
ML: Its funny you ask me that now, it's a great question because we are also a Virtual Family Office. Some of my employees are living also in Monte Carlo, but some others – especially high-level experts – I had to find abroad. For example, my main advisor is a lawyer who is living in Munch and our relationship has worked extremely well for more than 15 years now. This means that, since all of my investments are outside of where I actually live, I have a few more people helping me locally there.

FOM: What are your thoughts on the so called 'Fake' Family Offices and regulation for Family Offices?
ML: My thoughts about regulations of Family Offices are pretty much the same as for all other investment business. As said, as soon as you have any responsibility for other people's money you must have adequate legislation and ensure good governance to protect your clients. That's why logically "multi" family offices do not really exist by definition. The moment people and/or families give others advice they should be subject to controls and then they are no longer a family office, but an asset manager. If you play alone you carry responsibility only for your own affairs, hence one doesn't need to be overseen.

FOM: What are your thoughts on Succession planning for the next generation?
ML: This is a very important question for every family, I guess. What I am about to do, also for this purpose, is to create "The Masterpiece". That means, I will bring my best companies into a holding company called LEHNER INVESTMENTS, based in one of the most stable and safest jurisdictions, Germany. My children then will simply be awarded shares of that entity. Since this is a public holding, listed on the Frankfurt stock exchange, it is very regulated and also overseen by the German government, hence, I believe, a rather secure asset for my children.

FOM: Family Office VS Family Business?
ML: For me, it's one and the same since my family office is there to support me, my family and my business. It's as simple as that in my case, but others may have completely different needs for a family office, especially when the founder is not active anymore and the family business is conducted by external employees who are not family members.

FOM: Are you interested in investing in tech?
ML: As a jet-rated pilot and a car-racing champion, I love technology and many things related to it. For example, I have recently invested in a company, engaged in asset management based only on the combination of "big data" with "artificial intelligence", a typical FinTec company. I believe that such technologies, as artificial intelligence will change the world forever.

FOM: What will your Family Office look like in five years?
ML: Well, due to the fast growth of my businesses I will certainly need more people around me and therefore also need much more office space. But other than that I don't see much changes in the way my family office is functioning as it has worked well to date and is very satisfying to me.

FOM: What is your Family Office's Mission for the future?
ML: Pretty much the same as it was in the past, to support me and my family with all our affairs, however my mission is also to drive faster development of our Markus Lehner Foundation.

FOM: What is your own strategy for the future?
ML: In a few words, creating and growing "The Masterpiece" as well as extending the size of my family office and drawing a sharper line between my family office and our operational companies.

Thank you, Mr Lehner, for sharing your insights with us.

www.ml.org

A NEW ORDER IN THE BUSINESS OF WEALTH

Good and sustainable investments are a win-win-win-situation for a business, its investors, and society at large. Companies grow and innovate, investors cultivate portfolios that enable them to continue investing, and economies receive the much-needed taxes to support the business infrastructure as a whole. Recent high valuations have, however, become a threat to this trinity. It is now more important than ever to understand the underlying assets that companies are built on to create sustainable growth.

A misguided trend has been developing where inflated valuations have been promoted to support the mythical beast hunt – the search for the "unicorn" company. In January, Financial Times columnist Rana Foroohar wrote about the current unsustainable financing practices of the tech sector where new companies are seeking rapid growth by any means necessary. The support of sky-high valuations and massive debt financing of unprofitable companies just to build the next unicorn, have led to distorted capital and labour markets, where too much money is chasing too little value, wrote Foroohar.

Inflated valuations, coupled with constant media attention, are producing companies that have almost a sycophantic following. Very few have questioned the real value of these companies or highlighted the threat these companies and their investors are posing to the sustainability of the financial ecosystem and for the businesses themselves. However, we have slowly started to witness the effect of the valuations on the stock markets, sparking a change in attitudes.

Valuations under the microscope

Being able to build companies on a sustainable foundation is as important to the company as it is to the venture capital industry that provides funding. In the long run, unsustainable practices eat away at the credibility of the sector and the desirability of companies as investment targets. Sustainability builds on the long-term, and if companies and investors are only looking to benefit in the short-term, the whole market ends up idolising the so-called unicorns.

Andreas Dahlen
Advisory and Institutional Investment Director

To support sustainability, we must understand the underlying assets of companies with in-depth valuations. As often as we see overappreciated companies, we come across undervalued ones. When looking at a company's asset value – the value of assets on and off the balance sheet – it is difficult to understand how a company that has assets worth 700k euros can be valued at 100m euros on the market. Alternatively, when the balance sheet assets alone are over 30m euros and the valuation is being estimated at 12m euros. Both true examples that invite further investigation. Valuations can take on many forms, from market-based benchmarking to cash flow-based and asset-based analysis, and they all differ a lot from each other, especially if different methods are used to compare companies. For example, a unique tech company with a disruptive idea would be difficult to benchmark with other companies of the same industry, and it is equally difficult to determine the value of the company based on previous funding rounds if, for example, the company has made major developments in-between the rounds. In addition, with many start-ups, a cash flow-based analysis might mistakenly hint of future success based on projections of ostensible earnings.

Whatever the methodology, valuations are made for a reason, and we should have a better understanding of what they reveal. Whether for the business owner or for the investor, a thorough valuation can act as a wake-up call or a reaffirmation that the business is on a sustainable foundation and projections for growth are believable. Going through your due diligence can show how to optimise the assets to support growth and mitigate risks connected to assets. The business can also realise what changes are needed in the organization or how its business model must be tweaked.

Trending ailments and how to cure them

Based on experience, there are similar problems between companies. Let us consider the examples mentioned earlier - company X valued at €100m and Company Y valued at €12m. Both companies have tremendous potential that was lost without a proper understanding of the underlying assets. After further analysis, both companies were diagnosed with very common and curable ailments.

Company X needed improvements on "future-proofing" and IPR (intellectual property rights) protection. Many R&D focused tech companies forget that it is not only important to secure patents for the IP, but also to be able to commercialise their innovation and build up revenues and scale the business for a sustainable financial future. In this case, the company had not yet fully realised how to commercialise their innovation and therefore project growth before an asset-based analysis put the expectations at a reasonable level.

Another common ailment is the activation of intangible assets such as intellectual property (IP) on the balance sheet and leveraging its value - which was the case with Company Y. IP, which is not used to drive revenues, must be considered a cost rather than an asset under the International Accounting Standards. If managed correctly, IP can underpin the future intangible assets value of companies and balance the equity companies are looking for in future funding rounds. Although investors are initially interested in revenue, assets become more and more important as they balance equity and are the most useful indicators of the company's wealth at exit point. For Company Y, the cure was to start activating the intangible assets systematically to reveal the true value of the company.

As more knowledge surfaces, financial industry influencers, business owners and societies all need to carry their responsibility to curb and question the sky-high valuations that pose a threat to the sustainable future of businesses.

www.apollonian.eu

TRANSFER WEALTH AND VALUES THROUGH EXPERIENTIAL PHILANTHROPY

By Toby Usnik, Author of The Caring Economy www.tobyusnik.com

From Beijing to Boston to Berlin, family offices often lament the challenge of transferring values along with wealth to next generation family members. Despite the supply of bankers, lawyers and advisors offering to help them, family matriarchs and patriarchs are still looking for a way to engage their heirs more fully in shaping their family legacies. Experiential philanthropy may be their best hope. After all, the best way to learn something is to experience it firsthand.

Seeing is believing

Family offices are increasingly viewing philanthropy through the lens of the experiential because the activity of engaging various senses, such as seeing, hearing, listening and feeling, is actually helping them learn something new and better relate to the topic at hand. This new approach is rooted in the 19th century experiential learning movement, which provided a holistic model to the process of learning.

The experiential education movement was an attempt to move from rote learning to a more interactive one with the introduction of laboratories, applied studies and clinical experiences. Off-campus experiences were then added in the 20th century. Today it is embraced globally by educational institutions and policymakers and is increasingly being applied to philanthropy and social impact initiatives because of such benefits as:

Practical Application: It is easier to grasp facts around us through experience. Just as the sensations of hot and cold help us understand the concept of touch, field work can help a family member link their philanthropy to lives touched on the ground.

Stronger Engagement Levels: Emphasis on experience and practice encourages and motivates family members to participate and engage in the application of theoretical concepts. Learning levels are, therefore, high as compared to the more traditional, abstract philanthropy.

Enhanced Personal and NGO Impact: Via hands-on experience, family members engage in critical thinking, acquire problem-solving skills and engage in decision making where the philanthropic rubber meets the road. These experiences require them to be in a real-world environment, strengthening their emotional and cognitive standpoints. It also increases the potential impact of their efforts on NGOs by creating greater understanding among all participants.

Greater Knowledge Retention: We are wired to recall emotional, physical experiences such as outdoor adventures and person-to-person contact. Experiential philanthropists have the capacity to learn successfully when the information and engagement is associated with values and feelings. Each participant's learning and understanding is directed by their past experiences and therefore will generate different results, making it more personal and long lasting.

Enhanced Life Skills: Experiential philanthropy leads to the development of skills for a lifetime. By assisting in the acquisition of essential skills and encouraging participants to reflect, conceptualize, and plan for next steps, the experiential approach helps build leaders of tomorrow.

Jumpstart Your Impact

Family offices can become more innovative in the way they practice philanthropy and impact investing by using experiential approaches to empower family members and create more interactive, engaging, and flexible learning experiences. The adoption of a dynamic, hands-on approach to philanthropy encourages active participation and creativity along with developing important capabilities such as appreciating cultural differences and improving critical thinking. And there is no need to reinvent the wheel in piloting experiential philanthropy in a family office. The following are some existing offerings to test-drive experiential philanthropy:

Salzburg Seminar: Through its bespoke retreats, Salzburg Seminar explores institutional frameworks, structures, policies and approaches needed to transform philanthropy and social investment and build collaboration for 21st century priorities. Progressively, its programs have engaged new players developing practices and structures to fit specific contexts and respond effectively to local needs. Any family office can tap into the global excellence of Salzburg Seminar's network and experiential training programs to enhance the effectiveness of their philanthropy and impact investing.

The Philanthropy Workshop (TPW): With over 450 global leaders committed to solving the world's most pressing social issues, TPW is the largest network of its kind. It engages humble leaders who seek to leverage their time, talent, resources and networks for sustainable impact. TPW partners with every member to establish clear social impact goals, create a strategic roadmap for network engagement and educational programs, and curate expert connections and resources. From boot camps on skills building and strategy setting to its Skills Accelerator, TPW has something for every family office. Among its bestsellers is the Global Journey, which uses TPW frameworks, best practices, and benchmarking data in unique and hands-on field learning experience. These trips provide insight into a particular nation's key social, economic, and developmental dynamics, and how to scale and transfer proven solutions across borders. Participants connect with a nation's top leaders from across sectors, identify best practices in international philanthropy and global development, build their network of peers, and together learn from each other's perspectives and experiences.

Learning By Giving Foundation: Founded by Warren Buffett's sister Doris, LBGF promotes the study of experiential philanthropy at various undergraduate colleges across the United States. The accredited courses help students understand the social and economic roles of the nonprofit sector and philanthropy, and the processes through which social change is funded and implemented across sectors. At the end of the semester, students are given real money to use as grants in order to fund local nonprofits and charities. Doris Buffett notes that the goal of Learning by Giving is to instill in students "the urge to do things for others all of their lives; to see the need to do something, to be an activist, to work toward social justice." She believes that this program will not only outlive her, but also create a ripple effect that will inspire generations to come. This will be her legacy.

The China Global Philanthropy Institute (CGPI) The China Global Philanthropy Institute (CGPI) was proposed and established by 5 prominent Chinese and American philanthropists: Bill Gates, Ray Dalio, NiuGensheng, He Qiaonv, and Ye Qingjun. CGPI is dedicated to advancing philanthropy in China and throughout the world by improving the professional standards of philanthropic education, strengthening international dialogue and cooperation, and promoting innovative reforms in global philanthropy. Each year it produces learning journeys abroad to engage second generation wealth holders in the philanthropic best practices of Western foundations and nonprofit organizations, while establishing a peer sounding board to advance their philanthropy in subsequent years.

Plan the Journey Together

As with a family vacation, you will have greater results if you engage all family members in planning for experiential philanthropy. Simply start with a question over a meal at your next family gathering. Ask your family about the causes and places that resonate with them and have them discuss why they feel strongly about them. Then ask them to hypothesize what an experiential philanthropic exercise might look like if your family were to engage. It will not take long for you to find the passions and points of view that you need to begin to shape your next steps. Together you will be able to define your first outing in experiential philanthropy. You have nothing to lose over a casual family conversation and so much to gain by thinking of your family philanthropy and impact investing through a new lens of the experiential.

PUTTING INTERNATIONAL SMALL-CAPS ON THE MAP

THE CASE FOR ALLOCATING TO INTERNATIONAL SMALL-CAP STOCKS

Royce Research provides an introduction to the international small-cap asset class by detailing its attributes in terms of performance, volatility, correlation, and fundamentals.

Because asset allocators often compare international small-cap with international large-cap, we thought it was particularly important to examine the long-term relative performance of these two asset classes to highlight the frequency with which international small-caps outperformed their large-cap siblings.

According to data from Morningstar, only about 1% of mutual fund assets in the U.S. are invested in small-caps outside the U.S., we suspect that many asset allocators think of international small-caps (if they think of them at all) as a nearly indistinguishable subset of the large non-U.S. equity universe. Many asset allocators may be surprised to learn, then, that the total market value of the companies in the MSCI ACWI ex USA Small Cap Index, our proxy for international small-caps, is twice as large as that market capitalization of the Russell 2000 Index.

Strong Performance Record

Their long-term performance record makes a strong case for inclusion as part of an overall equity allocation. (All of the results that follow begin with the first full month of performance for the MSCI ACWI ex USA Index on 5/31/94). Annualized rolling monthly 10-year returns for the international small-cap index exceeded the MSCI ACWI ex USA Large-Cap Index (our proxy for international large-cap stocks), and nearly matched its domestic counterpart in the Russell 2000. Relative results for international small-caps are even more impressive on a monthly rolling return basis, where they consistently outperformed their large-cap siblings, beating them in 72% of the three-year periods, 81% of the five-year periods, and 94% of the 10-year periods ended December 18.

Lower Volatility and Higher Risk-Adjusted Returns

Like their domestic peers, international small-caps have a reputation for high volatility. The data, however, shows that they have lower volatility than U.S. small-caps and only marginally higher volatility than international large-caps. These statistics are based on a rolling 10-year standard deviation. Additionally, over this same rolling 10-year period, international small-caps tied with small-caps for the best risk-adjusted returns, as measured by the Sharpe ratio, of these four asset classes.

We think it's also useful to recall that it is composed of a globally diverse set of companies in 46 countries that rarely occupy the same place in their respective economic cycles.

This geographic diversification helps to dampen the price volatility of any specific security, and in our view, compensates for the lower average market cap for the international small-cap index versus U.S. small-cap index. Also helping to potentially reduce volatility is the prevalence of dividend-paying companies. While there can be no assurances that companies will continue to pay dividends in the future, it is notable that approximately 82% of the companies in the international small-cap index paid dividends as of 12/31/18.

Historical Portfolio Benefits of Low Correlation

International small-caps have a lower correlation to U.S. larger-caps than either international large-caps or U.S. small-caps. To test the performance and volatility effects this lower correlation might have, we ran results for two hypothetical multi-asset portfolios. For each, we charted hypothetical returns (measured by the growth of $10,000), standard deviation, and Sharpe ratio. Both portfolios were rebalanced quarterly and encompassed the same time period, end May 94 to end December 18.

The first portfolio we constructed had 40% of its assets in bonds and 60% in stocks, with the latter allocated evenly among domestic large-caps, domestic small-caps, and international large-caps. In the second portfolio, we made only one change. We swapped the international large-cap allocation for an allocation to international small-caps. While both multi-asset hypothetical portfolios showed strong standard and risk-adjusted performance, the portfolio with the international small-cap allocation had higher absolute and risk-adjusted returns as well as lower volatility. This is as strong an argument as we believe can be made in favor of allocating to international small-cap stocks.

The Current Opportunity

Prior to 2017, the international small-cap index had, since its inception, underperformed its U.S. small-cap counterpart by the widest spread. As of 12/31/18, the performance spread between the two indexes was still below its historic average.

When non-U.S. stocks as a group outpaced their domestic cousins, international small-cap outperformed their large-cap peers 80% of the time (by an average spread of 6.2%) for all monthly rolling one-year periods. This represented the period end May 94 to end December 18. The historical data suggests, then, that relatively good periods for international stocks mean relatively better periods for international small-caps.

The Case for Active Management in International Small-Caps

We also contend that the attractive attributes of international small-caps also offer the potential for active managers to improve on these results, given these considerations:

An Inefficient Asset Class

According to FactSet, more than 30% of the companies in the MSCI ACWI ex USA Small Cap were receiving one or no sell-side analyst coverage versus 15% for those in the Russell 2000 as of the end of 2018. This provides an active manager with a potentially sizable analytic advantage.

High ROIC Companies

Historical returns of the international small-cap index's high-profitability companies, based on ROIC, have markedly exceeded those for the index as a whole. The average annual total return for the top ROIC decile of non-U.S. small-cap stocks was 15.5% from end of January 03 to end December 18, compared to 11.1% for the overall index over the same period. (January 2003 is the first month in which Royce has access to fundamental data on MSCI indexes.) This suggests to us that an active management approach focusing on companies with higher profitability and sustainability can enhance the potential for higher returns.

Companies with Earnings

Loss-making international small-cap companies have historically lagged. In fact, companies with positive earnings have outperformed the international small-cap index, gaining 12.1% versus 11.1% on an average annual total return basis from the end of January 03 to end December 18. A manager who focuses on non-U.S. small-caps with established histories of earnings may therefore also be able to potentially enhance returns.

Historical Performance of Active International Small-Cap Funds

We also compared performance for the average international small-cap mutual fund, using Morningstar's International Small/Mid Cap Blend average, to the MSCI ACWI ex USA Small Cap index over rolling five-year periods. The majority of the time, 64% of the 236 periods since the index's inception in 1994, the average international small-cap blend fund beat the index with average annual five-year returns that were about 200 basis points higher net of all fees for the mutual funds.

Conclusion

We think that the combination of strong absolute and relative performance, low correlation to both international large-caps and U.S. small-caps, together with strong results in varied market environments makes a strong case for including international small-caps in a globally diversified portfolio. In our view, the timeliness of the opportunity serves to bolster an already compelling case. Asset allocators should consider the potential advantages active management can offer within this asset class based on both the historical strength of certain fundamentals and the overall inefficiency of this large and diverse group of small-cap stocks.

By Royce Research

WHY HIRING FOR CULTURAL FIT DOESN'T JUST APPLY TO LARGE CORPORATES

by Jeremy Green, Team Head, UK, Agreus

Today's large corporate organisations are showcasing their culture as a key strategy to attract and retain the best talent in the market. After all, hiring for cultural fit essentially means hiring for attitude instead of simply for skill or experience.

When it comes to family offices, cultural fit becomes even more crucial. This is a workplace where it's more than just business, it's personal; you're recruiting into a team that is managing, growing and protecting family assets. It's an environment where the people may be required to go above, beyond, below and beside what their job title suggests is within their remit. Finding the right people that fit with both the team and the family can be a challenge; getting it wrong can mean severe disruption at an operational and financial level, being forced to return to the recruitment drawing board unexpectedly.

Understand family values

Unique from setting the values of a corporate business, in a family office, you need to start with the family behind the office. Understanding their values and beliefs will help you build a family office that's made up of people who share those same values and beliefs. The team will develop close working relationships with the family and all the complexities that families may come with. Ultimately, defining and aligning values at the hiring stage will mean the latest addition to the team will build and maintain meaningful relationships with the family and the wider team. Family values, and family office values, will have a strong influence on culture.

Understand the existing culture

Before you can recruit a great cultural fit into the family office, you need to take some time to understand the existing culture. Organisational culture has become something of a corporate buzzword, but at its fundamental level it's describing the behaviours and expected practises of everyone within that organisation. Within a family office, it's everything from the way the team and the family interacts with each other, to reflecting their values, beliefs and ethos on a daily basis.

Taking the time to establish what the existing culture is will help you define and articulate that culture accurately and better define who you're looking for from a deeper understanding than skill set and qualifications.

Check the culture aligns with future strategy

When you take the time to scrutinise the culture within the team, you might find that it doesn't align with what you'd hoped for or achieving long-term plans. If part of your people strategy is leadership succession from internal talent, but there's no culture of self-development, or mentoring and coaching from current senior leaders, the strategy isn't going to work.

You either won't attract the talent that has the drive and ambition to learn and progress, or they'll leave to find the office that will provide them with that opportunity. If you want a developmental culture and it isn't there, you'll need to think about making cultural and behavioural changes that will create and sustain it going forward.

Recruiting isn't always about cultural fit in terms of what's there, but bringing in the right people to effect positive cultural change, as long as you have a clear understanding of your cultural goals. While cultural change isn't easy, it is possible with the right people to drive it, and you can't underestimate the impact that culture will have on future success. Just as when building a business strategy you begin with the end in mind, make sure you're recruiting with the end in mind.

Reflect the culture in your hiring process

If your culture isn't woven through every single thing you do, then it isn't really your culture. It can't be a box-ticking exercise or something you say because you feel that's what the brightest and best people for the job will want to hear. Ensure the whole process – including the induction – is aligned with your culture and values.

If you value efficiency, empathy and great communication, make sure your hiring process reflects this; not only in the way you and your representatives behave during the process, but in the way your interviews and any time the candidate spends with the team can establish if they share these values, too.

In other words, just as you don't want to waste your time with a culture-based hiring process centred around telling people what they want to hear, you don't want candidates just telling you what you want to hear either. The right process will ensure you find the person with both the right technical skills and, crucially, that all-important cultural fit.

With so many factors and considerations affecting a recruitment process, beginning with an assessment of the type of person that you want, that will complement the people and environment you already have, will help you continue to build a sustainable family office that will power future family generations. Define and communicate your family office values and culture effectively during recruitment, and you'll attract the right people. Live your culture and values, and you'll keep them.

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HOW CAN WE FIX THE BROKEN GOVERNANCE MODEL IN FAMILY BUSINESSES?

Most, if not all, family businesses have a governance document or Family Constitution in place to aid the business and operations.

These meticulously compiled documents contain all of the policies and procedures for the operations of the business and decision making processes for the owners. Often, these documents will have a section dedicated to the values of the family and the business values. There will be powerful words in this document that will stand out, such as integrity, transparency, and respect.
Surprisingly, the family members will still communicate awkwardly with a slight politeness towards each other. They tiptoe around each other as if they are walking on eggshells. This totally contradicts their governance document or Family Constitution that so blatantly boasts their values.

Does this sound familiar to you? Have I just described a family you know, or perhaps your own family? Why do so many families believe their current governance or constitutions documents will deal with the challenges families face on a daily basis?
I believe we all want to feel safe. We want to feel safe in our environments, with our relationships and with our wealth. On an emotional level, families believe that if they have a governance document in place, this will provide the safety the family seeks.

We all deserve to feel safe, as feeling safe enables us to be the best version of ourselves. We're able to positively maximize multiple aspects of our lives with efficiency. This includes our behaviour, decisions, leadership, and ultimately our governance.

When digging deeper into individual behavioural risk, it can be so easy to undermine both the Human and Social Capital components of Family Wealth.

Francesco Lombardo
Veritage Family Office

Unfortunately, this can be done so severely that the greatest area of weakness is exposed in regards to the unmanaged risk in a family office or business system. To simplify this, when you choose to ignore your own Human and Social Capital, you're actually placing your Financial Capital at great risk.

I strongly believe that most attempts at good and fair governance within wealthy family businesses is most often disguised and applied defensively as a strategy for avoiding the real issues these family businesses often face. This unfavourable behaviour is followed by a lack of accountability for the family members. As a result, family members do not feel emotionally and psychologically safe with each other. Sometimes the poor behaviour and lack of accountability is portrayed by the current leader or head of the family. Sometimes the poor behaviour is exhibited by the younger members of the family enterprise. Either way, they both represent a great risk to the long-term health and viability of the family business enterprise. More commonly, the members of the family business enterprise, along with their crew of financial advisors, most often tend to focus on tangible assets. This means they will likely settle for what is considered acceptable as defined by a successful transition of the assets in a tax-efficient manner. As unbelievable as it sounds, some families actually manage to achieve this tabletop process; however, the family is in disarray, and its members aren't in much better shape. This is because they all have differing opinions and values and are sometimes not willing to communicate with one another.

It's no secret that most financial advisors blatantly avoid having the necessary, often difficult conversations with the family members of their family business clients. Why, though? Upon leading workshops and facilitation sessions with globally seasoned financial advisors worldwide, I always come to the same conclusion. The reason why many financial advisors don't address the Great White Elephants (aka the unspoken issues) within these families is honestly quite simple. One word: safety. These financial advisors might have a strong relationship and great rapport with their clients and the families they serve; however, at some level they don't actually feel sufficiently emotionally and/or psychologically safe. Simply put, they don't feel safe enough to speak up and ask the awkward questions.

As my mentor, Dov Baron, says, "Relationships would be great if it wasn't for the humans in them." As strange as this quote sounds, I strongly agree with this, as we are complex human beings that have unique and dynamic needs. This is also exactly why I serve families and assist in creating Safe Space™ for them. It's all about cultivating a space that they feel safe to open up with their family members and have those difficult conversations without negative repercussions. If you've been nodding your head as you read this, perhaps it's time to start the conversation and experience Safe Space™ first hand.

www.veritage.ca

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.

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HIGHER GROUND: THE PATH TO ALIGNED FAMILY VALUES

by Charlotte Filsell, Sandaire Multi Family Office

"Once you have agreed, aligned and instilled a set of family values, remember that families change and grow, sometimes in unexpected ways, and that aligning family values is an ongoing effort."

Charlotte Filsell
Head of Client Relationship Management

Values are often considered the building blocks of a sustainable family and, indeed, a family's identity. Many wealthy families and their businesses proudly proclaim what they stand for, but what holds these together, and how do these values endure successive generations? Like any leader, the head of a family has a myriad of complexities and differences to consider; competing interests, multiple generations, distance, culture, ambition all add to what is already a demanding role.

Any bricklayer will tell you that building blocks are only half of the required materials for a stable wall. Without mortar, blocks lack what is needed to bind them, and when subjected to pressure, a building may collapse. Family values, if unaligned, are destined for the same fate. Built correctly, anticipating what the world may throw at it, and maintaining it over time, a building may last for centuries. Alignment is the binding force that enables a family's values to endure.

So how are aligned family values achieved? As with anything in life, there are many answers, and not all will work for everyone, but ask enough people, and you will see themes and trends emerge.

Start young
Children have a marvelous capacity to learn and absorb, thanks to their innate powers of observation. Moreover, the younger they are, the easier it is to build your values into their world view. Incorporating values into as many facets of everyday life is key to this. In so doing, the next generation can live the values shared with them, rather than merely adhering to them.
Parents have a pivotal role to play in beginning this education early on, and preparing sooner rather than later will set your children up for success, rather than stress. An effective method for parents and mentors is to create learning opportunities where possible. If a family stands for community and conservation, the younger generation should be shown the effects of the family's support, not just the means and decisions taken. After all, giving to charity and seeing charity at work are very different things. And keep in mind the old adage: 'Never give your children your valuables until you've given them your values.'

Be inclusive and genuine
If family values are to endure, they must be the domain of the whole family. Inclusion and involvement are key to promoting engagement, and it must be genuine for it to work. Taking some time to explain the family's history to each family member and how it has evolved over time will create an inclusive environment. By bringing them into the story and making them feel a part of the journey, they'll develop a deeper understanding and appreciation for the story. Play to the strengths of each member of the family. As stated previously, start young, and where possible, encourage participation between multiple generations. And above all, ensure you lead "from the front" and live those values yourself.

Keep it simple
It's important to remember that every family is its own unique ecosystem. with its own set of challenges, priorities and dynamics. A family may stand for many things, but at some point, it must decide what these values are and make them easy to communicate. It must also try not to spread itself too thinly (aligning 50 people with 20 values is no easy task) and where possible ensure that these values are distinct from each other, even if there is a relationship between them. For example, generosity, philanthropy and charity. Ensuring that values are distinct and clearly defined within the family will ultimately help determine the narrative with the outside world.

Be transparent and consistent
Writing down your values can help keep things clear – give thought to creating a family charter and documenting your values there – and obtain acceptance from the various family members so that you have a point of reference when discussing family matters in the future. Having these documented in one place will help eradicate all ambiguity from proceedings as you move forward.

Listen
Remember that communication works best when it flows both ways. Allowing members of the family to make the values their own and contribute in their own way is essential. It will both allow members of every generation to feel heard and understood, and it also encourages a more informed charter of values. Where multiple generations are involved, remember that values mean different things to different people, particularly Millennials. Next generation investors may have differing values from their parents or grandparents. To one person, charity may mean donating a sum of money to a local cause, whereas to another, charity is the giving of one's time and effort. While both may be equally valid, try to encourage such things in a way that plays to each individual.

Evolve
Once you have agreed, aligned and instilled a set of family values, remember that families change and grow, sometimes in unexpected ways, and that aligning family values is an ongoing effort. As a leader, aim to evolve with it and embrace change as a positive force. It's important to lead by example and demonstrate flexibility, so that other family members are well-placed to also move with the changes. Human beings have a remarkable ability to adapt to their surroundings. If we change, our values must adapt to the new set of circumstances.

All too often in life, it is easy to confuse the accomplishment of something with its end. It is important to remember that aligning family values should be a never-ending journey.

INSURANCE FOR THE GLOBAL CITIZEN

Will the insurance you've chosen for your family really perform in a claim ...or is it a "chocolate teapot"?

La Playa Private Client's Mike Taylor-West flags up the pitfalls for trust managers arranging insurance and offers a useful checklist for peace of mind.

Family office and trust professionals must deliver robust protection for the complex asset portfolios (and liabilities) of their clients. As clients' lifestyles are increasingly fluid across territories and asset classes, it's absolutely key that you have in place insurance arrangements that will respond when you need them to. What you don't want is a "chocolate teapot" policy that just goes into meltdown when you make a claim.

The spectre of under-insurance, particularly in property, haunts trust managers - with good reason: there's a clear duty to understand exactly how a loss could affect the beneficiaries and have in place the right cover at the right levels.

Asset protection is one of the key drivers for creating trusts – so it's mission-critical for them to have the right insurance coverage in place, carefully structured to support that goal.

Sometimes entities wind up being inadequately insured, inappropriately insured or (usually inadvertently) not insured at all. This often occurs because where trusts, SPV's and insurance intersect, it can be a no-man's land where legal and wealth management professionals simply don't receive the sophisticated insurance input they need.

And quite apart from the impact of a refused claim on clients, there's the impact on your own work and business of a time-consuming contentious negotiation, or worse an Error or Omission

The "What ifs..." for MFO/SFOs and Trust Managers

Under-insurance

If an asset is under-insured (perhaps due to lack of a recent reinstatement assessment), the insurer might apply an 'average clause' to claims, leaving the client out of pocket or in litigation. This in turn could mean a professional indemnity claim for you. Listed properties in particular, demand periodic re-assessments due to the legal obligations of ownership.

Brexit

It's hard to predict the impact of Brexit on the property under your charge – but property insurance requirements span across multiple jurisdictions. You need to work with an insurance broker who is prepared for Brexit and has arrangements in place to continue to provide cover under all eventualities.

Gaps in cover for Terrorism

Properties owned by a holding company or in trust (where the Trust beneficiary resides at the property) are now considered commercial enterprises for insurance purposes and therefore not automatically covered for Terrorism. The rules of Pool Re (brought in to shield the economy from the financial impact of terrorist attacks) mean that UK terrorism cover for domestic property in trust must be purchased separately, as for a commercial business. Some insurance for property in trust has seen 30% premium rises (especially in high terrorism risk zones such as central and west London).

Moving assets

If your client has art on a yacht or wine collections moving between properties, who is protecting these passion assets and are they fully covered? Are the right customs declarations in place? Could there be gaps in cover where marine insurers don't have the expertise to fully understand the art risk; and art insurers are not comfortable insuring such significant values of art afloat? It's important to take advice from a broker who's used to finding solutions for international high net worth clients.

Clients migrating into the UK

You'll want to help create a soft landing for clients moving to the UK for the first time - as regards their insurance as well as a multitude of other personal service needs. UK insurance requirements may be a new concept for them, and it can be helpful to have some information in Russian or Mandarin, for example. They'll also need an insurance adviser who can connect them with renovation insurance advice, physical and cyber security, collectibles valuations, car purchasing, wine, international private medical and other estates services.

Private aircraft

If your principal owns and operates a private aircraft, the insurance portfolio needs some serious expertise. Unless your insurance broker has in-house aviation specialists, they'll need to sub-broke this (or indeed may decline to deal with it at all).

10 Insurance Considerations for SFO/MFOs and Trust Managers:

1. Check the policy schedule is in the name of the trust or ownership entity and that the UBO name, date of birth, nationality, and source of wealth have been approved.
2. Get the numbers right: for multiple international properties, work with a global insurer who will include a survey of each and provide Extended Replacement Cost (ERC) cover, including on listed properties. This means the insurer pays the difference if a loss exceeds the assessed building sum insured.
3. Art/Jewellery collections: if pieces are moving between homes around the world, be sure to have worldwide coverage, check the valuation is shared with the marine insurer, and that the right customs declarations are in place.
4. Avoid gaps in cover: with passion assets moving internationally, on and off yachts and between homes, it makes sense to have the same broker for property and marine risks, to ensure seamless cover and clear underwriting accountability.
5. Consider "portfolio policies" to streamline administration and cost, presenting a better overall risk to the insurer.
6. Liabilities: this is where significant unforeseen costs may lie – your (U)HNW client may be exposed to cyber risk, public safety risks on their property, libel and slander allegations – or liability for domestic staff. Those with perceived deep pockets are at risk – especially in a litigious society such as the US. Make sure your insurance includes robust coverage.
7. Terrorism: If the property is in a key EU city location make sure to purchase Terrorism cover separately for a property held in trust, as these are treated as commercial properties under the rules of Pool re that provide quotes via regulated brokers.
8. Proof of no conflict and transparency: work with an independent broker who is not tied to a single insurer and can undertake a broad analysis for you to optimize coverage and premiums.
9. Regular review meetings with the broker for ongoing risk and security advice: with technology advancing as it is, both the risks and the security measures are changing fast.
10. Opt for a full service broker and not just an agent – so you can be sure of claims advocacy and support when your client or trust manager most needs it!

La Playa Private Client is an independent specialist broker based in London, Cambridge, Dublin and New York, delivering expert insurance advice for high net worth clients and trust managers.

by Mike Taylor-West ACII

Director: Private Client & Marine, La Playa

INVESTING IN PRIVATE FUNDS FOR THE FIRST TIME

By: Joshua Stone, Principal of FundsLawyer PLLC

Private funds pursue a variety of strategies and asset classes, providing exposure to opportunities that investors may not be able to access through traditional investment products. Funds may hold private company shares, real estate, cryptocurrencies, short positions, loans, commodities and foreign securities, among other assets. They may use derivatives and substantial leverage. Funds may be structured in a variety of ways to address investor needs, the manager's business needs and factors specific to the assets to be held.
Below, I highlight certain basic fund terms that are common to a variety of asset classes.

Is the fund a liquid or illiquid vehicle?
Investors typically can't get in and out of private funds daily like a mutual fund or ETF. The liquidity of the fund should reflect its ability to raise cash necessary to pay redemptions and account for how the assets will be valued to ensure that the fund pays out the right amount. Fund managers may desire less liquidity to secure a continuing stream of fees.

Hedge funds often allow investors to get in and out on a periodic basis (e.g. monthly or quarterly, sometimes after an initial lock-up period). At the other end of the spectrum, private equity, venture capital or real estate funds may not allow redemptions at all, and investors are stuck until the fund liquidates investments and distributes the proceeds (which may take in excess of ten years). Investors should consider whether the fund's liquidity terms make sense in light of the investment portfolio and focus on additional provisions allowing the manager to limit or suspend redemptions.

How do new investors get into the fund?
In the context of a liquid fund, investors typically are sold an interest in the fund (and later redeem) based upon the value of the net assets as of the date the investor gets in or out. This is possible when the assets can be readily valued. Where assets cannot be easily valued, investors are often admitted to the fund over a relatively short period of time, such as one year, and then the fund is closed. Investors admitted after the initial closing typically pay an interest amount to compensate earlier investors for use of their capital. Investors should consider whether the fund terms include a fair mechanism for the admission and, if applicable, redemption of investors over time, including how (and by whom) the assets are valued.

How do I fund my investment? Might I need to return the money distributed?
Hedge funds and other liquid funds typically require all of the money up front, whereas private equity style funds require committed capital to be paid over time as investments are made. Illiquid funds, such as private equity and real estate funds, often include mechanisms requiring investors to re-contribute distributions made to them, either for reinvestment or to meet liabilities. Consider whether the ability to call down your capital is consistent with your own liquidity profile and whether making a commitment to a fund will require you to keep money on the sidelines for extended periods.

How is the manager compensated?
Typically, a fund manager receives a periodic fee based upon capital in the fund, capital commitments or the cost of the investments (e.g. 2% of the assets per annum). The manager or its affiliate (such as a general partner) typically receives a portion of the profits of the fund (i.e. an "incentive allocation," "carried interest," "performance fee" or "promote"). For hedge funds, this amount is often paid (or allocated) annually based upon the increase in net asset value during the period, after prior losses are recouped.

For a less liquid fund, the amount is generally paid as part of a distribution "waterfall." For example, in a simple waterfall, first investors receive a return of their capital, then investors receive an interest amount (e.g. 8% per annum), and finally the manager and the investors split profits (e.g. 80/20). Managers may charge other types of fees, including asset acquisition or disposition fees. Consider the alignment of interests between the manager and investors and whether the fee makes sense in light the size of the fund, the work to be done by the manager (for example, in a venture capital fund the manager may take a hands-on approach to grow the portfolio companies, requiring more work) and the manager's prominence, infrastructure and performance.

What other expenses do I bear?
In addition to the manager's compensation, a fund typically bears its own organizational and operating expenses, which can be substantial. Investors should look for instances where the manager tries to push its overhead costs into the categories of expenses to be borne by the fund. Examples of items that investors may think twice about include compliance expenses of the manager, insurance premiums for protection of the manager, costs of private planes and expenses related to "broken" private deals that do not close.

Research and other expenses may be paid for by the fund's brokers (i.e. "soft dollars") increasing a fund's trading costs. Investors should pay specific attention to expenses that represent profit centers for the manager or its affiliates, such investment monitoring fees and property management fees where a real estate fund's properties are managed by an affiliated property manager.

How are conflicts of interest handled?
Fund offering documents typically contain a large volume of risk factors and conflicts disclosures. Significant conflicts of interest often arise and investors should review these disclosures and consider whether the fund's governing documents have mechanisms to address inherent conflicts (e.g. requiring conflicted decisions to be approved by a majority of the investors or an investor committee). Examples of conflicts that are often addressed in a fund's documents include: whether all investment opportunities must be presented to the fund or may be pursued by the manager, whether the manager can manage additional products with similar strategies during the fund's term, and whether the fund can engage service providers that are affiliated with the manager.

Conclusion
Although we've only scratched the surface on these topics, hopefully first-time investors will be sensitive to these issues when reviewing a fund's offering documents and consult their own advisors with experience in this area.

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INTERVIEW WITH PETER MASSEY-COOK

Providing employees with an internal hotline for whistleblowing has been a legal requirement for US listed companies for over seventeen years and is widely recognised as a hallmark of good corporate governance. Most large corporates now include in their compliance and ethics programme, a channel for staff to use so they can safely and anonymously report concerns about potential wrongdoing.

We caught up with Peter Massey-Cook who has fifteen years experience in senior compliance roles to learn more.

Peter, you have worked in energy, banking and luxury travel, how does the whistleblowing function sit in the C-suite?
Whistleblowing is normally managed by the Compliance function because it is seen as more independent than, say HR. Organizations which have been most thoughtful in designing their governance arrangements will have their Head of Compliance reporting directly to a main Board member such as a NED or the Head of the Audit Committee. This ensures complete independence from the business and the CEO and will mean the programme is perceived by employees to be credible and trustworthy.

Whistleblowing is a term often bandied about in the media with dramatic overtones and in association with corporate scandals, what does it actually mean?
You are alluding to the fact that whistle blowing often has negative connotations which is unfortunate as it is almost always in the public interest. It is about people observing and reporting wrongdoing through a safe and confidential channel, be it bribery and corruption, fraud, money-laundering, harassment, discrimination, price-fixing, health and safety violations, privacy breaches and other violations of law and company policy.

Is the whistleblowing function benefitting the corporation or the employee?
Both. If whistle-blowing programmes are designed and resourced properly they should protect and benefit all

Peter Massey-Cook
Specialist in Corporate Governance

parties involved and deliver positive outcomes for all stakeholders, be they shareholders, staff, customers, suppliers or the wider community.

What is the key benefit of setting up such a protocol? And when is it not needed?
The key benefit is to prevent or stop corporate misconduct by providing a safe channel for someone who has observed wrongdoing to report it free from the threat of retaliation.

Every time you read about a corporate failure stop and ask yourself how whistle-blowing could have prevented it.

At Volkswagen plenty of people knew about the default devices used to cheat emissions testing and if this had been reported it might have saved Volkswagen the £35bn cost it has incurred, which has impacted people's jobs and pensions. It would have avoided pollution and the risk to health in our cities. Just this week Southern Water was fined £126m for manipulating water samples over a period of seven years and deliberately misreporting the dumping of untreated effluent onto our beaches. Similar corporate failures are occurring daily and could be stopped more quickly by fostering a positive culture of "speaking-up", either directly to management or through a formal whistle-blowing line.

How should an organisation go about setting up a whistleblowing line?
First determine the governance structure and how you will ensure a direct line to the Board, by-passing the CEO. Responsibility then needs to be delegated to a senior professional such as the Ethics Officer to manage the programme and oversee each case.

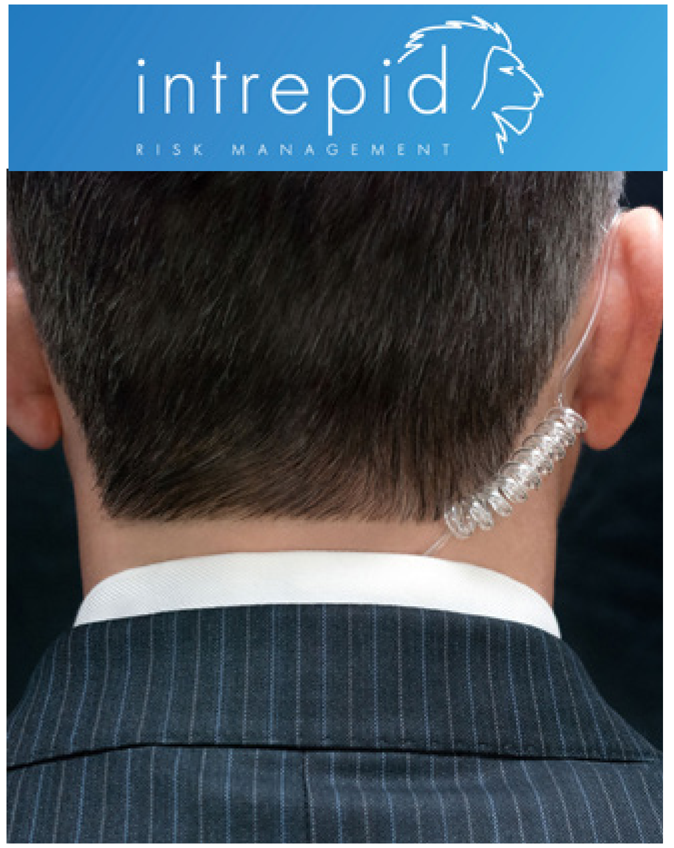
Second, design a programme that includes safeguards against misuse so that reports are handled confidentially on a need-to-know basis so that if they are unsubstantiated the reputations of those involved are untainted. Clear protocols are needed to ensure that investigations are conducted in a manner which is objective, impartial, professional, confidential and mitigates the risk of retaliation.
Third, communicate to the workforce and explain how to raise a concern, what matters should be reported, what protections are in place and give some anonymised case studies to build employee confidence.

What sorts of things can go wrong? How can employees be assured true confidentiality with no rebuke?
The risk of retaliation can never be eliminated, only mitigated. However, corporates with strong culture and governance will take action to protect anyone speaking-up including, disciplining or terminating those who retaliate. By observing and upholding the confidentiality of the reporter the risk can be minimised.

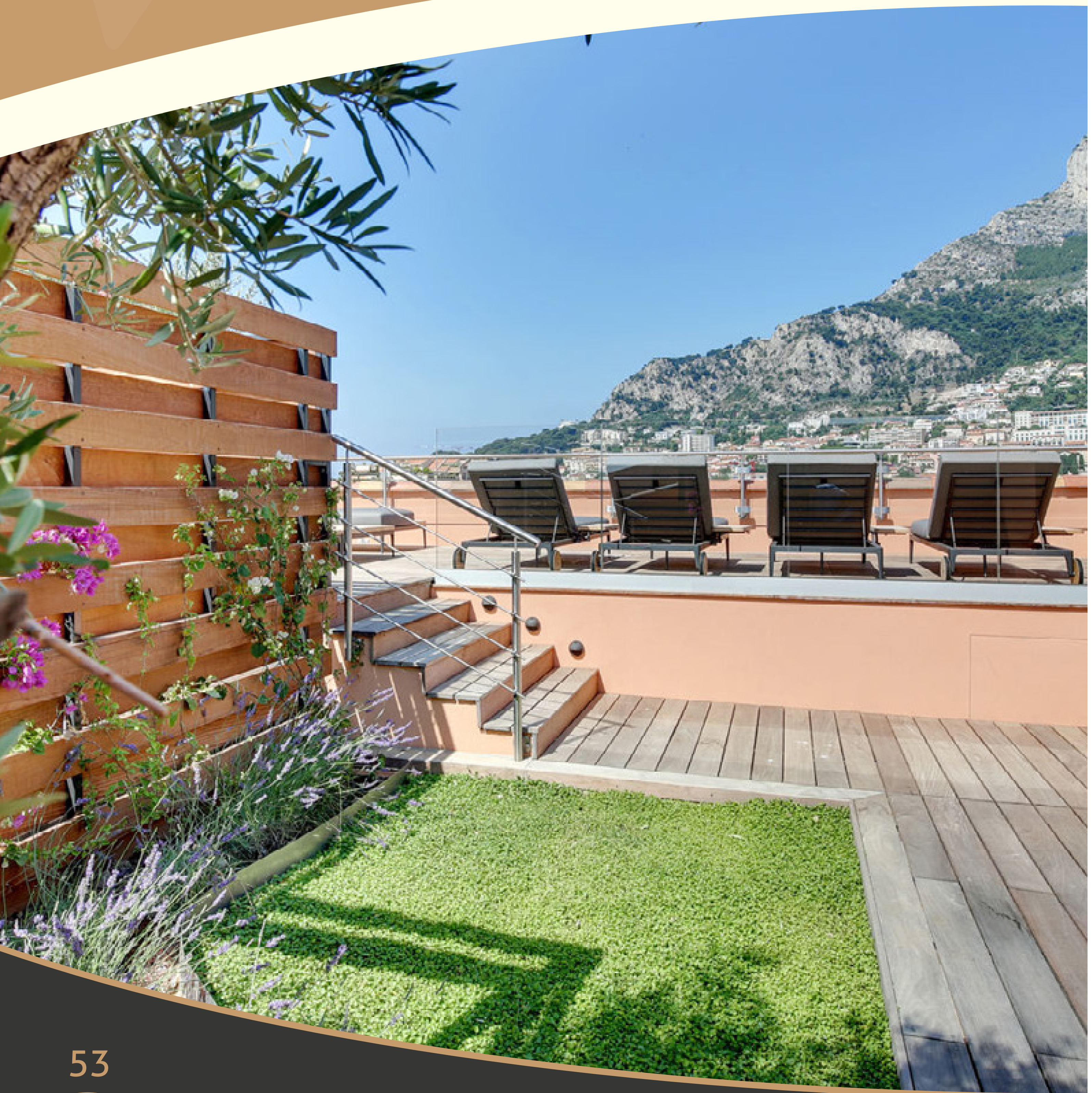
With your significant depth of experience, can you give us some examples of how this has benefited the individual?
I have seen many situations where whole teams of employees have been the victims of harassment. Whistleblowing was critical in bringing this to light and enabling the company to take action and ensure a safe working environment - which everyone is entitled to expect, whatever their job.

How has the banking sector differed from the hospitality sector?
Every sector, including the public and private sectors face the same core risk of misconduct at any level in the organization. Across sectors certain risks may be more prevalent or critical, such as health and safety in oil and gas, bullying in hospitality and conflicts of interest in financial services but these risks are manifest everywhere to some extent.

Where do you see the future in terms of policy?
In the wake of the Luxleaks case, where employees of PwC were imprisoned and fined for their role in reporting widespread corporate tax evasion in Luxembourg, the EU has approved a new Directive which, when fully implemented, will protect whistleblowers. In the UK, the Public Interest Disclosure Act, 1998 already provides protection for whistleblowers.



COLUMBUS MONTE-CARLO



The Columbus Hotel Monte-Carlo success lies in its central setting in the Principality of Monaco

Its location is close to a residential and commercial area just a few minutes from Monte Carlo. The well-know hotel combines sophistication with warm and has a contemporary design in a relaxed setting.

Following an extensive renovation program, the Columbus Monte-Carlo is launching 13 luxury residences in the heart of the hotel.

These apartments – 4 Studios, eight duplex and one penthouse – are to be leased on a one-year basis to select clients. These clients will enjoy all the benefits of exemplary hotel service.

The renovations include cosy and elegant decoration, high-end equipment, access to the outdoor pool area and the hotel fitness gallery that make our residents feel at home.

Other high-end services that are available to guests include, VIP concierge services, valet parking, use of the complimentary hotel shuttle and the hotel outlets are also available. The Columbus Monte-Carlo overlooks the Princess Grace Rose garden and has views of the Mediterranean Sea. The residences are geared towards the discerning guest who can enjoy a relaxing and unique luxurious experience.

The Penthouse has an impressive 230 m² and enjoys a double exposure with a 360° view of the Principality. It also features two large terraces and a medium-sized pool. This is the ideal place to relax, entertain and host friends and family in the Principality of Monaco.

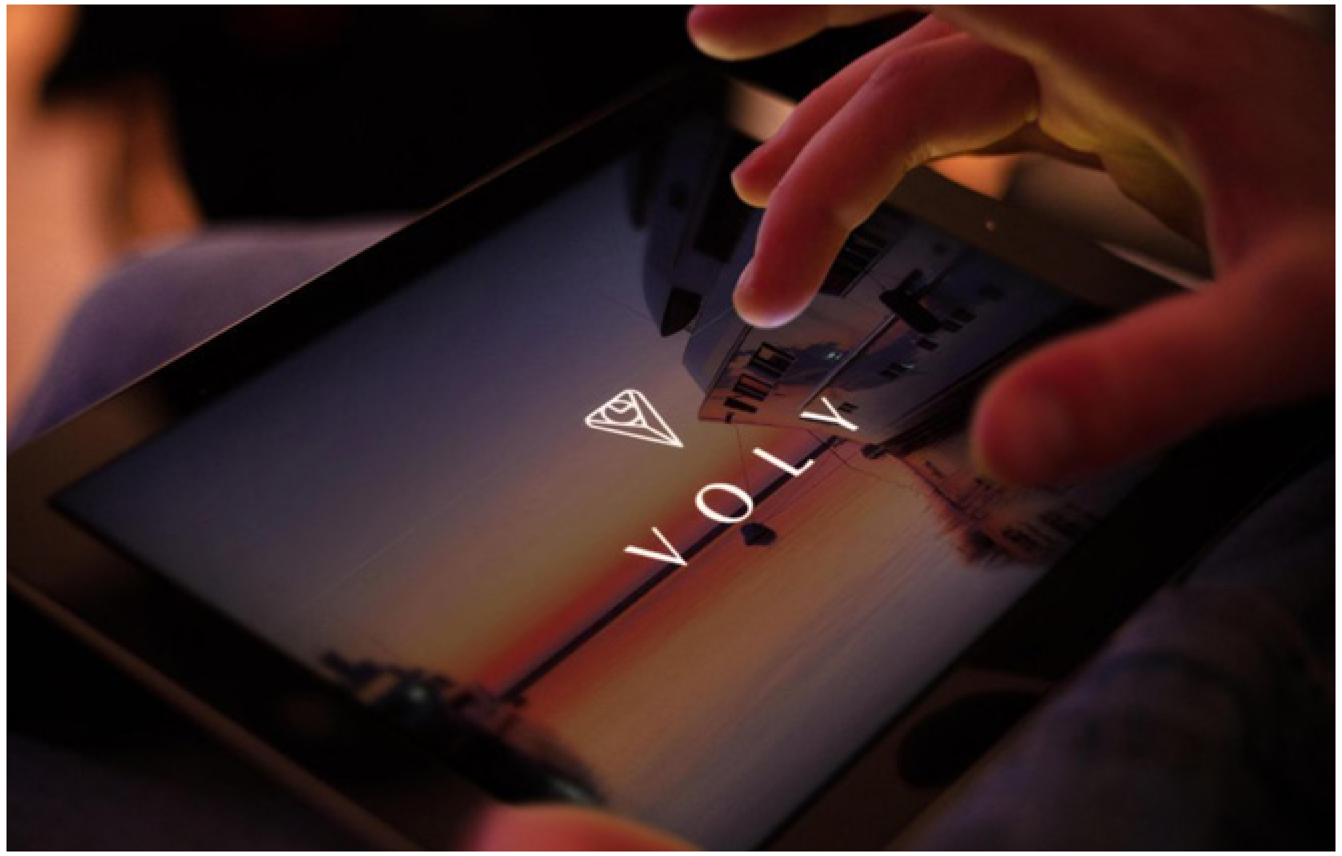
The Columbus Monte-Carlo offers the trademark glamour of Monaco alongside the understated vibrancy of its surroundings.

Its elegance and simplicity are embodied in its reception area and 181 rooms and suites, which instil calm and tranquillity. Visitors are drawn back by a desire for harmony and an authentic "Riviera Chic."

Savills Monaco is marketing the Columbus Monte-Carlo Residences.

www.columbus.mc

THE FUTURE OF MULTI-ASSET ACCOUNTING FOR TODAY'S FAMILY OFFICES



In today's fast-paced world of multi-asset management, it has become the norm for family offices to be managing properties, jets, and yachts. All of these assets have different needs at different times of the year, and until recently, accountancy solutions designed for these high net worth assets have been limited.

The fintech revolution has arrived, and with ultra-smart technology set to enhance and further automate personal banking, accounting, and investments, it is set to revolutionise the way businesses, including family offices, interact with the financial services sector.

The ultimate goal of a family office is to align interests, simplify assets management operations, and improve communication and cooperation. Serving as a focal point in the management of family assets and investments, a shared purpose ensures the day-to-day objectives are met.

If you delve deeper into the day-to-day management of these high-net-worth assets, you can start to see similarities with many employees working on excel spreadsheets retrospectively. The idea of each asset reconciling accounts at the end of the month has, to some, become an arduous undertaking, and the idea of working through thousands of receipts fills most people with apprehension.

Voly is a fintech business offering the modern multi-currency accountancy solution, with a fully integrated, high limit prepaid Mastercard, synchronised with a mobile app. Users can manage expenses and expenditure in real-time, as well as run a multitude of pre-defined reports at the click of the button. "Current users," says Liz Jackson, Head of Training and Marketing, "report that the time saving is over 75% when utilising the Voly prepaid cards."

Voly's multi-asset accounting solution allows family office clients to view the current status of their assets, with up to date financial information in real-time 24/7. Voly offers assurances to owners that their assets and financial data are secure with industry-leading security and user-validation, providing complete transparency across the entire end-to-end process.

Users on Voly, from properties to yachts, have one main objective, to deliver a 6-star service to their principles while managing the spend on a day-to-day basis. These users may not necessarily come from an accounting background but are dealing with budgets often similar in size to mid-cap businesses; therefore, usability is essential.

With a fully integrated payment platform, Voly has changed the way users interact with the system, from paying supplier invoices to trading FX directly, all at the click of a button within one interface.

"Multi-asset clients are an emerging market for us," says Ian Flanagan, Group CEO. "Speaking regularly with our family office clients, it is great to hear about the benefits that Voly brings to their business, including the ability to run detailed expense reports down to the granular detail, ensuring clear visibility in managing their assets day-to-day. "

Knowledge of these niche markets and the demands placed on those that operate within them has given Voly the foundations for designing a bespoke solution tailored to the superyacht captains, house managers, pilots, and, ultimately, the family office.

Looking ahead to the future, Voly's grasp of their clients' needs and the transferable nature of its accounting solution will allow them to continue to expand and provide financial solutions, from yachts to Formula 1 and the music industry. Multi-asset management in today's family offices is very much becoming the standard; it is insider knowledge that has proven to be the key to Voly's continued success.

For further information on Voly Ltd, please contact Liz Jackson at liz@voly.co.uk, mobile +44 7802 383262, or visit our website www.voly.co.uk.

www.voly.co.uk

BACK TO THE BASICS EQUITY DIVIDEND INCOME

By Alan Adelman and Tom Stringfellow

The need for an investment portfolio to generate current income to support the family lifestyle is relatively common, especially with a preference for that income to be tax-efficient. In an increasingly complex investment environment, it may be an opportune time for families to revisit a classic strategy — albeit with a more modern, risk-managed approach.

An equity income strategy can efficiently deliver a consistent source of income with some tax advantages over ordinary income. The strategy can also offer capital appreciation over time, which supports an original asset's spending power for current and future generations with a high degree of liquidity and transparency. It can work well in a family office asset allocation, complementing less-liquid assets like real estate, along with long-duration illiquid allocations to private equity.

As with many things in life, there can always be room for improvement, even with an archetypal strategy like equity income. Too many failed strategies have focused exclusively on yield or dividend growth. Others stretch for yield by buying less liquid ADRs, which can also be subject to withholding taxes. The result has been concentrated portfolios over-invested in traditional value industries like utilities and financials, while being grossly under-weighted to growth industries like technology and health care, as well as additional layers of complexity from an accounting perspective.

Modern finance teaches us that diversification matters. Trading off some yield for a well-diversified portfolio, which is invested across industries and investment styles, can support the need for current income while providing a level of capital appreciation for future spending power of the portfolio principal. In the case of equity income, a little old-fashion fundamental research can pay dividends (pun intended).

The difference in tax treatment of qualified dividends relative to that of ordinary income can have a significant effect on an equity income strategy. Whereas ordinary dividends are taxed as ordinary income, dividends that are qualified are taxed at the lower capital gains rates. Including this parameter as a research variable can increase the spendable income generated by the strategy.

Other variables, like a company's track record generating free cash flow, are also worth researching, as is looking at the current market price relative to future earnings growth. The dividends themselves can be a good measure of corporate health. A company with consistent dividend growth typically has some competitive advantage giving it cash flows to pay (and raise) dividends, even during difficult market environments. The focus on dividends exerts financial discipline, while providing transparency into the company's financial condition.

Additionally, dividends have proven to be a significant portion of the equity market's total return. Over the past 10 years, reinvested dividends have accounted for nearly 17 percent (market returns calculated from Morningstar Data – S&P 500 TR USD Index and S&P 500 PR) of the total equity return. Over the past 20 years, it has accounted for 35 percent (Ibid) of the equity market performance.

In the current economic environment, a growing number of companies are implementing dividends or increasing dividend yields. Coupling the advantageous tax treatments for qualified distributions with still-low inflation and interest rates, we expect dividend investing will continue to attract investors looking for income opportunities who might also be concerned about market growth prospects.

Another benefit of dividend-paying stocks is that dividends help buffer market volatility. Stocks with higher dividend yields provide more consistent returns with less volatility over full market cycles than lower dividend-yielding. Over market cycles, the strategy has generally provided positive and increasing levels of cash flow to investors.

While not all market cycles are equal, dividend-paying stocks have usually provided investors with a buffer during more volatile market periods, and in many cases they have produced higher returns than their non-dividend paying counterparts.

There is a chance that absolute real returns for equities will be low by historical standards over the next several years, with the potential that underlying earnings growth and valuations fail to offer significant upside. In this environment, stocks may have only nominal upside potential, with much of their real return supported by dividends. Despite that, we still expect dividends to help stocks outperform other income generating asset classes, such as fixed income offerings.

In today's environment of distracting headlines, rising market volatility, plateauing earnings growth and rate uncertainty, adding a thoughtfully constructed equity income strategy to help create an income-generating portfolio makes a lot of sense.

Incorporating a broadly diversified portfolio of companies across industry and economic sectors, all with the ability to support growth in future dividend payments, is key to the strategy's potential for success. The stock selections have the potential to provide an attractive yield and after-tax return profile, while buffering periods of equity market turmoil. The risk-adjusted return profile for dividend securities is attractive, coupled with a growing number of dividend-paying companies.

Over time, we believe equity dividend investing should become an increasing focus for many investors.

Tom Stringfellow is President and Chief Investment Officer, and Alan Adelman is Senior Fund Manager and Senior Research Analyst at Frost Investment Advisors (FIA), which provides investment advisory services to investment companies, institutional and high-net-worth clients, pension/profit sharing plans, endowments and charitable organizations, as well as Frost Wealth Advisors ("FWA") and other affiliated companies.

FIA is a wholly owned subsidiary of Frost Bank, which has a 150-year history and is one of the largest Texas-based banking organizations.

THE RISE OF LUXURY PROPERTY IN AUSTRALIA

By Michelle Ciesielski, Head of Residential Research, Knight Frank Australia

The impact of the global financial crisis was felt amongst many wealthy individuals and businesses around the world. However, given Australia was amid a natural resources boom, it was left relatively unscathed. In fact, looking back, there was only a small dent made in the past 27 years of consecutive economic growth, which averaged 2.6% per annum.

As a result, Australia's wealth continued to grow. The number of Australian ultra-high-net-worth individuals (UHNWIs) grew 12% over the past five years, to a total of 3,062 people with a net worth of over US $30 million, excluding their primary residence, according to GlobalData WealthInsight.

The global population has become more mobile, according to the Knight Frank Wealth Report Attitudes Survey 2019. Famed for the lifestyle, Australia was the fourth most-preferred global destination for UNWHIs planning to emigrate, behind the United States, United Kingdom and Canada. When this question was asked of the ultra-wealthy living in Asia, 48% saw Australia as their first choice to emigrate, ahead of all countries.

Almost 32% of total wealth is allocated to the average 3.6 properties lived in as first and second homes for the global ultra-wealthy. A little over 20% purchased a new home outside of their country of residence in 2018, and another 22% plan another purchase in 2019/2020.

Globally, Australia is the third most preferred destination to buy luxury residential property in 2019, with strong interest from those in Malaysia, Singapore, China and South Africa.

Offshore demand for prime residential property in Sydney has been met with increased competition from local buyers given the slow-paced delivery of new prestige residences. This is a growing issue with limited opportunities around the habour foreshore and many ultra-wealthy wanting to retain current ownership to expand their property portfolios. A pipeline of prime and super-prime projects is proposed over the next decade, but there has only been a handful of projects reaching construction stage, amplifying the limited supply going forward.

Ten years on from the global financial crisis, Sydney's prime residential capital values have grown by a total 63.7% to Q1 2019. Melbourne followed a similar trajectory over this time, growing by a total 57.3%. Knight Frank defines prime property as the most desirable and expensive property in a given location, generally the top 5% of each market by value.

In early 2016, both Sydney and Melbourne recorded two quarters of consecutive double-digit annual growth. In Sydney, demand simply outstripped supply, while in Melbourne, strong population growth has been the primary driver.

Sydney and Melbourne's prime capital growth had slowed to a more sustainable growth of 2.4% and 1.8%, respectively, in the year ending Q1 2019. This was influenced by passing local headwinds resulting in an unsettled tail end to 2018, and the start of 2019. Within the space of six months, both cities had held state elections, there was a federal election, as well as the results handed down from the banking royal commission. Although since the Coalition retained power on 18 May 2019, eliminating any proposed changes to negative gearing and capital gains tax, a positive sentiment has instantaneously rippled through the housing market.

Internationally, Australia often ranks high as a safe-haven investment opportunity. A country where it is easy to conduct business and provides transparency in ownership. For prime property, there is also the value proposition compared to other global cities, especially with the favourable currency play for offshore buyers.

Each quarter, Knight Frank analyses the number of internal square metres one could buy with US $1 million around the globe. It is not surprising Monaco tops the list each time, and in Q1 2019 it does again with 16 sqm, followed by Hong Kong (22 sqm), London (30 sqm) and New York (32 sqm).

Despite recording significant growth over recent years in prestige homes, in Sydney, 52 sqm of internal space could still be purchased with US $1 million. Down in Melbourne, almost double the floor space could be purchased at 97 sqm. In Brisbane and the Gold Coast, this measure extends further to cover 123 sqm and 135 sqm luxury floor area, respectively. Over in Perth, you could buy 117 sqm.

Another way to look at the attractiveness for an offshore buyer is by performance. For example, take a prime residential property purchased in Sydney. Over the year ending Q1 2019, this market grew by 2.4% to a buyer purchasing with Australian dollars. If one had considered buying with US dollars, purchasing power would mean this property price fell 6% over the course of the year. Despite the introduction of foreign investor fees in recent years, the currency play continues to drive global buyers in Australia.

Global and local buyers are both attracted to the Sydney waterfront, and in 2018 these properties generated an average premium of 89.3% when compared to similar properties located further inland without access to water. Homeowners vie for the finest views of the Harbour Bridge and Opera House, as it offers sprawling vistas of, and access to, one of the world's most picturesque waterscapes.

Gold Coast beachfront and Perth riverfront also registered some of the highest global uplifts for their waterfront properties, averaging 64.1% and 53.2% higher, respectively. The exclusive pockets of prestige residential in Melbourne are found in leafy suburbs such as Toorak, South Yarra and the St Kilda Road precinct. Within proximity to prestigious private schools but set back several kilometres from the Yarra River, resulting in the riverfront uplift being 30.4%.

A relatively new residential concept to the Australian market, but growing exponentially globally, is the branded residences sector. Crown Residences, at One Barangaroo in Sydney, is the country's first fully-integrated, six-star hotel branded residence. While the branded concept in the Sydney market is still embryonic, evidence shows that a premium of 25% to 35% can be achieved for a branded residences project ahead of a comparable non-branded product.

Over the next five years, the Australian UHNW population is projected to grow by another 20%. During this period, Sydney will record more than 1,000 ultra-wealthy people for the first time, reinforcing Australia's requirement for luxury residential homes to accommodate the desires of this growing ultra-wealthy demand.

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Knight Frank

THE EMERGING MARKETS

By Dudley Edmunds

Whilst the term 'emerging markets' is definitely open to interpretation and discussion, it would be reasonable to assume China and India would qualify for the term when talking about the Family Office market.

Both countries are seeing substantial growth in the number of UHNW individuals and families, and the growing awareness of the advantages of the Family Office (both single and multi) is recognised. Yes, it can be an expensive business to set up a SFO, and even active participation in a MFO can be a costly venture, but it seems it is the route being taken by an increasing number of Chinese and Indian families.

The two sectors will share some common ground in the growth of wealth and recognition that the wealth has to be, at least, preserved. Equally, the two areas will share concerns about the transfer of wealth between generations and wealth planning for generations to come.

I will also suggest they have at least one other issue in common, and that is the potential shortage of homegrown executives with a sufficiently broad international perspective and 'address book' coupled with the necessary cultural understanding and, perhaps, even the necessary languages.

This situation, however, offers real scope and opportunity. The shortage of potential candidates within the home region will provide excellent opportunities for those who have the skills and knowledge and are already working within the home region. Likewise, it will potentially open up the field for those working elsewhere (Europe and the USA, for example) and who have most, if not all, the necessary requirements in terms of financial knowledge, experience, and contacts. In theory, at least, it is a win/win situation. It is assumed the first call for a new CEO, CIO, or similar will be made within the country of origin or, perhaps, the periphery. But there is much to consider in terms of financial savvy, understanding of the home jurisdiction, and cross-generation issues. Add to this the need for a broad international perspective, and it is highly possible the fledgling Family Office may find itself struggling to find the senior executive or executive team needed within the home region.

So, what is needed to ensure the best potential fit is found and secured? One route is for the family to use its own network and search within that. However, the network may not be sufficiently expansive and may also be far too narrow in bandwidth. One senior family member told me they had looked at the senior people in some of the global private banks but decided that, although the financial knowledge and international contacts were there, it was doubtful anyone from one of these banks would understand and consider the cultural issues both from a family perspective and those connected to the authorities within the jurisdiction.

The family member described it as the 'proverbial minefield.' Undoubtedly, the skills and knowledge will exist within the global private banks and wealth managers, but it is not, by any means, definite that the banking executive can make the shift into the Family Office environment and be successful. The banker may be far too embedded in the institutional comfort of the bank and not be so comfortable in a less institutionalised environment. Equally, taking someone from a similar role in another Family Office can be fraught with danger and difficulties, not the least due to matters of confidentiality.

So, what other options are there? Third party advisors (accountants, solicitors, etc.) can be a good source of ideas and introductions as indeed, but for other family office heads, it has to be remembered the advice may not be quite as objective as hoped for!

The alternative is to use specialist consultants, but you may find yourself facing the same sort of issues faced in hiring your CEO (or similar), i.e. does the consultant have the knowledge, cultural understanding, and overall 'bandwidth' to successfully find the person or people needed?

So, what is the answer? Well, one solution is to find an advisor or consultant who, within their own setup, has the necessary skills to find the potential individuals and then work with an in-house colleague or similar to drill down on the social and cultural issues and aspects. Providing that the two specialists are experts in their own field and work well in harmony may be the most appropriate option. The consultants, working in tandem, can benchmark the overall performance against objectives and work closely to provide the closest fit of senior hire.

These consultants do exist, and like the diamonds on the beach, are well worth looking out for!

Dudley Edmunds is a veteran of the wealth management/private banking sector, advising Banks, Investment Companies, and Family Offices from start-up to the successful hiring of senior executives.

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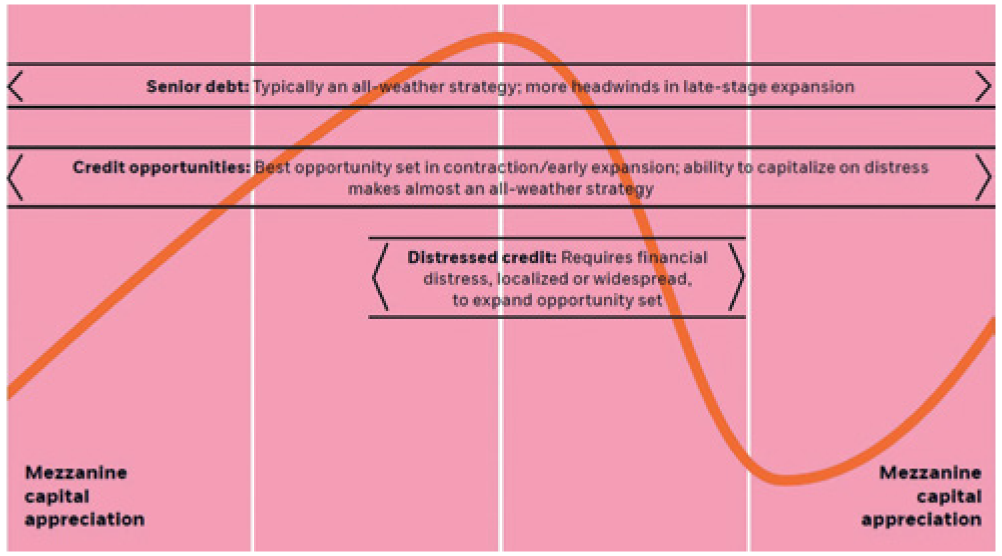
AN ASSET CLASS FOR ALL SEASONS

by Sheryl Needham



Source: Cambridge Associates LLC

Middle-market direct lending has evolved significantly over the last 20 years, developing from a cottage industry into a distinct asset class with an increasingly mainstream strategic portfolio allocation. Growth in private credit generally, and direct lending specifically, has been fueled by strong capital demand from middle-market companies, growing use of leveraged loans for private equity buyouts, and an increased institutional appetite for the asset class' attractive investment characteristics — namely floating rate income streams, senior secured position in the capital stack, and relative lack of correlation to other assets.

Private credit is well-suited to investing across business cycles and particularly attractive in the later stages of a cycle.

That said, it is increasingly critical for investors to understand the differences among private credit strategies and current market players in order to achieve attractive returns.

Changes in the middle market

Throughout most of the 20th Century, commercial banks were the primary lenders to small and medium-sized enterprises (SME), but the regional bank consolidation beginning in the 1990s and the 2008–2009 global financial crisis (GFC) reshaped credit broadly and direct lending specifically.

As regional banks consolidated to create national institutions, their management teams increasingly focused on cultivating larger corporate relationships. In the process, SMEs were crowded out of the bank financing market and often forced to source credit elsewhere.

As banks retreated, non-bank financial intermediaries (NBFIs), funded by institutional investors (e.g., insurance companies, pension funds but increasingly also by institutionalized Family Offices), emerged to fill the void. Since the late 1990s, NBFIs have increased their lending activities because of the potential attractiveness of the investment. In addition to interest income, direct lending may generate fees for sourcing, underwriting and structuring loans and generally provides downside protection in the form of lender-friendly structural features (e.g., covenants).

Opportunities across market cycles

Direct lending may offer opportunities to generate income during both economic contractions and expansions. Certain strategies within private credit are better suited to periods of macroeconomic stress, such as distressed credit or special situations.

These strategies tend to be less active during periods of persistent economic growth and low interest rate environments.

Direct lending's attractiveness across business cycles derives from its structural flexibility and the ability of skilled direct lenders to underwrite tailored solutions that support borrowers in both good times (e.g. financing to fund growth-oriented capital expenditures) and bad times (e.g. financing to support the acquisition of a distressed competitor with good assets). Identifying relative value across a company's capital structure, leveraging fundamental diligence, and applying structuring acumen are key to generating compelling returns throughout corporate and macroeconomic lifecycles.

Navigating increasing competition...and a late cycle

Direct lending has become an increasingly important part of the U.S. corporate lending landscape. An estimated 407 private credit funds are currently seeking to raise a collective USD $182 billion, with more than 50% of this targeted at direct lending strategies.

There are also visible risks created by aggressive new lenders and a possible late-stage business cycle. Against this backdrop, experience in direct lending throughout business cycles, deep industry expertise, and a fundamental focus on credit risk management are essential.

We believe investors should be cautious of middle-market loan structures that resemble the borrower-friendly structures of the broadly syndicated loan (BSL) market: no covenants, virtually no amortization, and the ability of sponsors to extract dividends and transfer assets. What we also recognize, though, is that different parts of the capital structure have economic and fiduciary incentives that are not always aligned.

These observations are always front of mind when we evaluate the increase in PE transactions, perhaps now more than ever. This continued expansion has commanded continued growth in deal flow and, as many new direct lending managers have entered the market, greater competition for deals and wallet share with PE sponsors. This competitive pressure has spawned a number of issues for direct lenders, perhaps the most worrisome of which is the continued increase in leverage levels for U.S. LBOs. Despite these trends, it is our view that there continues to be opportunity to generate strong risk-adjusted returns in direct lending. Through it all, the focus should remain on the underlying business and creating a structure that protects against the specific risks of the transaction. In addition to structural discipline at the individual investment level, risk management at the portfolio level, industry expertise, and a disciplined focus on industry diversification are essential.

As we have reviewed, a substantial amount of change and growth has taken place in private credit markets, and we expect those trends to continue for the foreseeable future. The basic attraction of the middle market, with its return premium, lender-friendly documentation, and low correlation with other fixed income segments, remain intact.

As we continue in a very long business cycle, having experience with workouts and navigating restructuring and recapitalization, both in and out of bankruptcy, is invaluable when the cycle does turn. Whereas some of the market increasingly accepts cov-lite transactions as the "new normal," robust financial covenants are necessary to weather a downturn.

Despite the challenging competitive environment, we remain firm in two basic convictions: First off, direct lending is an asset class that has historically generated attractive, risk-adjusted returns through a variety of business cycles and is one to which investors should have a meaningful allocation; and second, there continues to be an opportunity to generate alpha in direct lending.

For further information, please contact Sheryl Needham: Sheryl Needham, Managing Director, is the Head of BlackRock's Family Office business in EMEA, responsible for the firm's relationships with Family Offices and delivering solutions to meet their investment needs.

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IMPACT INVESTING IN AUSTRALIAN REGENERATIVE AGRICULTURE

by: Matthew Reynolds

As highlighted in a recent article in Forbes magazine, there is a global change underway where family offices are moving towards an investment emphasis on ethical and social practices. Some of the catalysts behind this are external pressures from stakeholders, media, reputational risk, global warming, desire to make a difference. The result is a paradigm shift towards what is termed 'impact investing'.

What is impact investing? An impact investor will be seeking to allocate assets in way that brings about positive and measurable social impacts together with a financial return. The 2018 UBS global family office survey found that around 32% of family offices are now actively involved in impact investing, with a 4.2% increase in impact investing over the past 12 months.

What is clear from the UBS report is that for impact investors, measurable sustainable and social returns alone are insufficient criteria for an investment – a prospective investment must stand up on financial metrics also.

Significantly, over half (54%) of family offices advised they plan to increase their allocation to impact investing over the next 12 months.

Impact investing is big business. A 2018 report by the global impact investing network (GIIN) estimated 229 of the world's leading impact investors managed over USD $228 billion of impact assets globally.

Impact investing is not without its difficulties. Measurability is one of the main areas that cause the most consternation. How are health improvements measured or education benefits, for example? Who does the measuring, and what standards are additional considerations? These issues around measurability and metrics are being addressed, but there is still some way to go.

Agricultural land investments have been a significant investment for many family offices – accounting for around 28% of total investment allocation in the 2018. Family offices have long appreciated the inherent value in prime agricultural land. For family offices seeking to invest on an impact basis in agriculture, there is a growing trend towards investing in sustainable and regenerative agriculture.

It is becoming increasingly acknowledged that traditional farming practices are degrading land, causing de-forestation, contributing to global warming, harming the environment through extensive chemicals, and leading to the depopulation of communities as young people move to find opportunities elsewhere.
There is a small but significant movement by farmers globally, seeking alternative methods to industrial scale agriculture.

One alternative is called 'regenerative agriculture', which describes a group of farming practices that seeks to reverse climate change by gradually rebuilding soil matter and restoring degraded ecosystems and improving biodiversity.

Some of the regenerative farming practices borrow from pre-industrial agriculture, such as no-tilling, permaculture, and polyculture. They also include limited or no use of chemicals, properly managed livestock, and thermal composting.

One of the fascinating outputs of regenerative agriculture is carbon sequestration. Soil, before clearing for farmland, is a great repository of carbon. When cleared for large-scale agriculture, soil loses about 30-40% of its organic carbon - which ends up as carbon-dioxide in the atmosphere and contributes to global warming. With the use of regenerative farming techniques such as cover crops, compost, crop rotation, and no tilling, carbon can be returned to soil (sequestration). If regenerative agriculture can achieve global scale, it could be possible to offset as much as 20% of carbon dioxide emissions.

Australia is leading the way in regenerative agriculture, probably because it has been so extensively farmed and felled.

Australia is a land of vast distances. There is an agricultural plane in Western Australian termed the 'wheatbelt' – due to its heavy industrialised wheat farming. This land area accounts for about 150,000 square kilometres (or about one-fifth the size of Texas). This area was once a diverse ecosystem with a wide variety of plant species, such as eucalypts woodlands and Mallee forests. It is now home to around 11% of Australia's critically endangered plants. It also once was home to one of the most diverse bird species on the plant. Many are now on the endangered list, including the magnificent red-tailed black cockatoo.

A few years ago, some like-minded people created a company in Australia. Their vision was to not only rehabilitate the wheatbelt ecosystems, but also create a profitable and sustainable business. It is the world's only listed company that seeks to deliver not just financial returns, but also positive and measurable social, natural, and inspirational returns, or a "4 returns" strategy.

The business side includes the production of regeneratively farmed beef and lamb, oats, oat milk, meat, and burger substitutes made from lupin and an array of vegetables and dry foods – all under the rather hip heading of 'dirty clean food.'

Impact regenerative agricultural businesses offer family offices the opportunity to not only invest in equity, but also participate in land acquisitions with lease-back arrangements. Metrics should be available at least every three years around impact indicators, such as biodiversity and carbon sequestration.

The outcomes for shareholders and investors from a strong and sustainable regenerative agricultural business should be an improved ecosystem, increased jobs and opportunities, a profitable and sustainable business, and healthy and delicious food. It is not difficult to see why family offices are taking notice.

Matthew Reynolds is a finance consultant based in Frankfurt. He works with Australian regenerative agricultural businesses and introduces them to family offices in Europe and the Middle East.
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PROTECTIVE SURVEILLANCE

by Gavin Wilson, Head of Risk at Wilson James

AN UNOBTRUSIVE APPROACH TO PROTECTION

We often hear a wide array of terminologies used to describe physical surveillance in security, such as hostile surveillance, counter-surveillance, anti-surveillance, and protective surveillance to name but a few. In many articles and publications these descriptions are oftentimes explained as the same thing, or in some cases a completely different explanation is given, which can become quite confusing as well as misleading. In this article I will attempt to shed some light on the term "protective surveillance", what it is, what it is meant to do, and why you may wish to use it.

What is protective surveillance?

There is no formal security industry-specific definition of protective surveillance, however most industry insiders and publications explain protective surveillance as an additional level of support given to a close protection team that is purposeful in proactively identifying hostiles and threats in order to detect and prevent an attack on a person under security protection. In some instances, the protective surveillance team may replace the traditional close protection team since it offers a more covert and less obtrusive 'security shield' that minimises awareness of the security operation being undertaken and that may itself attract unwanted and unnecessary attention.

The intention of protective surveillance is to create an unseen protective 'bubble' around the person under security protection that would enable early identification and detection of a threat and that would ensure the security protection team has enough time and enough resources to respond effectively to an attack. In this consideration a definition of protective surveillance can be termed as "the use of covert surveillance and close protection to identify and prevent a pre-empted attack on persons at risk of being harmed".

What does a protective surveillance team do?

Put simply, a protective surveillance team undertakes counter surveillance to identify persons undertaking hostile surveillance on the person they are protecting (the principal). Counter surveillance can be explained as surveillance activities undertaken to identify and reduce the risk of surveillance being undertaken on what is being protected. Hostile surveillance can be explained as surveillance activities purposeful in identifying weaknesses that can then be exploited in order to allow an attack to occur, and to be successful. The protective surveillance team will act covertly so that they are not identified themselves but are able to 'break cover' and respond to an attack should the need arise, providing an added layer of security to the principal and their close protection team.

Protective surveillance teams have a number of aims during a task. They form a protective and discrete 'bubble' around the principle and close protection team. This 'bubble' is an outer layer of security that enables the team to; Identify overt and covert hostile surveillance, Identify threats and assess risk to the principal, protection team and others. The team may also provide information to the close protection team enabling them to Identify, clear and secure routes of travel i.e. planned routes, unplanned routes and evacuation routes.

In addition to this, they are also able to shape the protective 'bubble' to pre-empt and react to changes in the environment and to the threat. Finally the protective surveillance team are also able to respond to an attack. This may require the protective surveillance team to 'break cover', close the distance to the principal and take on the role of, or augment the protection team

Whilst those who form the protective surveillance team have the training and skills of the close protection team, they must also be adept in counter surveillance and able to undertake these activities proficiently and in a manner that would quickly identify those undertaking hostile surveillance. The protective surveillance team must also be able to think and communicate quickly and proficiently to ensure that the principal is diverted out of harm's way.

The protective surveillance team requires several skills above those of the close protection team. These skills include third party awareness, covert communications, covert manoeuvres, mobile navigation, advanced driving, dress and mannerisms, and countless other subsets that will enable them to act covertly without drawing attention to themselves and their principal.

Why protective surveillance?

Whilst close protection officers are often skilled in anti-surveillance, which can be described as the ability to identify whether surveillance activities are being undertaken, the role does not usually allow them to proactively seek surveillance activities from a distance since they must remain in close proximity to their principal.

This creates a significant void in the early identification and response to hostile or pre-attack surveillance that is often undertaken prior to an attack. Therefore, should the risk of attack be deemed high, such as abduction, kidnapping or assassination, it is then recommended that this added layer of security is employed.

There are plenty of publications describing how surveillance was undertaken prior to successful as well as attempted abductions, kidnappings and assassinations. Perhaps a recent and clear example of this is the abduction and murder of 17-year-old Anneli-Marie Ribe. This case provides a very clear picture of how her abductors used social media and hostile surveillance to identify the most opportune moment in which to carry out an abduction, and the reason for them doing so.

In a world where our lives are habitually documented and communicated through social media and other communication channels, significant security exposures are easily realised.

These security exposures create an ideal surveillance platform for those seeking to harm or expose someone of interest, such as high-net worth individuals, executives, and celebrities. This ease of access to personal information creates greater chances of success for hostile and pre-attack surveillance that now requires improved methods to protect and secure persons at risk of being attacked and harmed.

Whilst the close protection team will carry out anti-surveillance their attention can only be in their tasks at hand, which can be varied and many, their immediate surroundings, and on their principal that will enable them to react to an immediate threat. Hence the term 'close protection'. This does not then allow the close protection team to carry out anti-surveillance across a wider area that may enable them to identify threat or to pre-empt an attack sooner, leading to an increased risk of harm to their principal. As discussed, another consideration for the use of a protective surveillance team is that the principal may require a more covert and less obtrusive security shield than that offered by the traditional close protection team. This is certainly a preferred option of those not wanting to draw attention to themselves.

Protective surveillance as an unobtrusive approach to protection

Protective surveillance provides an unobtrusive approach to protecting the principal by creating a protective 'bubble' to ensure that the areas around the principal are controlled. A protective surveillance team will remain unseen and often unknown to the principal who may require a less overt and noticeable security protection team but who seeks the confidence that someone is 'watching over them', or their loved ones, and who will be on hand should a situation arise.

Whilst there are limitations in this form of security protection since the team is not in close proximity to the principal, the protective surveillance team will respond accordingly to threat and draw nearer to the principal should the need arise. However, vulnerability remains by not having a trained professional beside the principal at all times.

Whatever you feel your protective security needs may be a risk assessment should be undertaken to establish the needs and to determine the level of protective security required, and in what form that may need to be. Before employing protective security, it is recommended that the risks are assessed, and the protective security services thoroughly conversed and agreed.

Gavin Wilson is Head of Risk at Wilson James, who has well over 20 years' experience with in the security industry. He is an elected member of The Security Institute and possesses an MSc in Security Management from Loughborough University:

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THE EKKLÈSIA OF THE FAMILY

by Drs Michael Pullens

The Family contribution to society in terms of economic prosperity and societal contributions at large is in many ways more important than one realises. The entrepreneurial spirit and drive for innovation and growth and the explicit consideration of human ethical and moral values are more often than not in stark contrast with the large public corporations that are run by salaried officers.

Both these functions protect and serve the needs of Family members as the Family Office concept rises and evolves. Many Families consider their heritage, responsibilities and how they can reach individual goals for Family members.

It goes back to the original idea of the ancient Greeks, calling upon The Ekklèsia: a frequently held general meeting that was open to all adults in society who could discuss and vote on issues that affected the community. How can the idea of the Ekklèsia be organised for the modern family and what issues can be taken into consideration to ensure that best practices are met?

The concept of the Family Office is described best here, "Once you've seen one Family Office, you've seen one Family Office". There is no one size that fits all. Every Family Office may provide different services for the family, depending on the specific needs of the particular family. My experience with many Family Offices throughout Europe, however, is that most (Multi) Family Offices provide standard wealth management functions and administrative tasks.

Many people working in these types of offices have a private banking background and tend to shy away from asset classes that they have little or no knowledge or experience of dealing with.

As there is no set definition for a Family Office, I would call these offices wealth management firms. With due respect to their respective roles, there seems to be a lack of experience that would enable the family to preserve the wealth for the next generation or setting out the individual goals for Family members.

Drs Michael Pullens MBA, MMC
Founder of Investments@Work

Single Family Offices tend to have a much broader scope and focus and are more tuned to the individual needs of the family in most asset classes, risks, and business or privacy concerns. The larger families, both in wealth and family members, may lose sight of this approach by splitting up specific asset classes into independent investment firms.

No matter how big or small a family office is, it all comes down to the essential question, do the individual members want to be part of the family? This means, family in terms of the financial and risks elements, or would they prefer to have their own freedom and manage the financial risks themselves.

To get an answer to this question, we must first ask, what do I want in life, and how can I go about this? These questions are not related to the financial side; the financial side can only be a means and not the goal itself.

Having served as a strategic advisor and interim executive for over thirty years, I have learned that resistance to change and decision making comes from the non-alignment of personal interests of those involved within the family collective.

It is of the utmost importance for a general advisor to the family to fully understand the individual's aspirations, needs and concerns and align these with the overall goals and approach for the family as a whole. This would include, the collective businesses, private wealth, assets and other private matters.

In many cases, not every individual is aligned 100% with the collective, the will to be part of the collective needs to be greater than an individual own agenda.

An 'Ekklèsia' may clarify this process. These general meetings can be held with a General Agreement on objectives for a specified period, or time defined by the achievement of specific goals.

Where possible the approach itself is advised to be as specific as possible, this will provide guideline and actions for those involved. This Agreement can thus also manage any issues that lead to the separation of individual members from the family. Such an agreement should not to be confused with the Family Statute (if applicable for the family); which is more attuned to the governance aspects of running Family matters. Where there is no Family Statute, these governance aspects can be taken into account within the Agreement as a whole.

It is highly recommended that Families, regardless of their size, to have an independent general advisor (Independent Family Officer) to advise and manage these processes. The independent status of the advisor would allow the advisor to involve and retain the services of specialists in all areas concerning Family matters.

Depending on the size of the family and issues involved, the general advisor can take on the management of specific functions within the scope of his/her own personal (specialised) capabilities. The general advisor needs to have all-round capabilities: including process advisory capabilities as well as some specialised capabilities. These specialisations can be in the areas of legal, business management, private equity or wealth management.

The larger the family, the more fixed-fee agreements can be put in place, the smaller and more specific goals of the family will have a balanced of fixed, variable and result-based compensation.

The role and work of the general advisor is typically defined in a General Agreement for the family. The advisor is then legally part of the whole process and individual members can consult with him/her.

In my next article, I will expand on these principles and outline specific issues such as heritage, crisis, turn around, sale of business and partnerships.

Colofon:
Drs Michael Pullens MBA, MMC is an independent Family Officer and strategy and private equity advisor and interim executive. He has advised and has had executive roles at companies of all sizes, shareholders and families, both in growth stages as in crisis. He is the founder of Investments@Work and is an investor and entrepreneur.

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ATMOSPHERIC INTELLIGENCE BEYOND THE HEADLINES

by Michael O'Rourke

Hong Kong has been in the throes of civil unrest and political violence for months as demonstrators demand concessions from the city and Chinese governments. Beijing has threatened to settle the matter by force, potentially dealing this Asian financial hub a catastrophic economic blow.

Hotels are reeling from cancelations, tourism is in a double-digit dip, and the Hang Seng Index is bleeding capital. At least one Fortune 500 company has recalled their employees visiting the city. As this issue of Family Office Magazine goes to press, the final chapter in the conflict remains unwritten. If all you know of this is the clouds of tear gas and petrol bombs seen on the 24-hour news cycle, you would think the city is coming apart at the seams and entirely unsafe.

I am writing this from Hong Kong, and I have had a team here for several months. We were here before the unrest began, and we have been here throughout the worst of the violence. Why is this important? Not for a moment have I contemplated sending my people home, nor have they feared for their own safety. The reason is simple. We know what is happening on the streets and, importantly, often in advance. Our madness has a method.

Atmospheric intelligence is the ground truth that goes beyond the headlines. It is obtained in-country, on the ground, and face-to-face. Attempting to assess a rapidly evolving dynamic situation from Europe or America based on media reports can easily lead one to conclude that a city or country on another continent is in chaos, when reality is more nuanced.

Next level intelligence requires trained and dedicated people responding to your specific requirements. Who requires rapid, bespoke intelligence during a crisis? Any business with employees and significant assets potentially in harm's way.

While reporters cover the most sensational aspects and move from one hotspot to the next, it is not their job to tell you if your specific business interests and investments are in peril. The U.S. State Department and British Foreign Office provide the public with broad-brush assessments lacking the specificity you need to make decisions at crisis speed.

Now is a good time to briefly discuss what atmospheric intelligence is not. Atmospheric intelligence is not a covert or clandestine effort to recruit spies or steal secrets. That is the purview of governments.

Atmospheric intelligence does involve cross cultural communications, key leader engagements, and overt information collection by skilled professionals trained to execute those tasks. As Special Forces veterans, we have done exactly that around the globe.

Some CEOs may wish to develop an atmospheric intelligence capability in-house. If significant time and resources are dedicated to recruiting and training the right people, this may be possible. This option is impractical during a crisis, as the capability cannot be created overnight.

Understanding that atmospheric intelligence is a specialty, the most practical approach is retaining a firm accomplished in the field on an as needed basis. On your behalf, specialists are deployed to the area of concern to develop a detailed threat picture focused on protecting your interests.

The right firm will have trained personnel comfortable operating globally, often in austere and potentially dangerous environments. A team cultivating local contacts, developing information, and assessing risk on scene places you and your key decision makers ahead of events.

Operations in parts of the world where unrest is an ever-present concern justifies the need for a persistent atmospheric intelligence capability. Creating an early warning trip wire for conflict, civil unrest, and terrorism that could harm your interests is the focus. Vital is identifying key players at governmental, local, and often tribal levels. Just as important is understanding the sentiments of the people comprising your local workforce, their needs and concerns, and what may persuade them should conflict arise. Building the level of trust required for workers to feel comfortable sharing information takes time, and these relationships must be maintained for the long haul.

Building trust at that level pays off in ways that can save people from harm. In 2018, a local worker informed us where a militia group had established a roadblock for the purpose of kidnapping foreigners. In Hong Kong, we have kept abreast of protest activity in real time, allowing us to safely move about the city.

Expansion into new markets is never a guaranteed success in the best of circumstances. When that market is a developing country where political instability, corruption, conflict, the economy, and food security are ever-present challenges, the task becomes exponentially more difficult. If your industry is viewed by the public or press as controversial, the difficulties mount.

Timely and accurate information informs decisions from where to locate your infrastructure and with whom to work, to understanding cultural, ethnic, religious, and tribal sensitivities. Employing atmospheric intelligence early could significantly lower your cost of market entry.

CNN or the BBC might show the latest riot or bombing in a far-off city. Accurate and bespoke atmospheric intelligence informs you where and how serious the risk is in relation to your specific interests. When hundreds of millions of pounds or dollars are at stake, "go" or "no-go" business decisions require more than a two-minute television news story.

Michael O'Rourke is CEO of the international security consultancy Advanced Operational Concepts, and a retired Special Forces soldier. Michael and his team travel to conflict zones and areas of uncertainty around the world to develop and analyze atmospheric intelligence on behalf of his clients. Contact Michael directly at mike.orourke@adopcon.com.

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FAMILY OFFICE PROTECTION OF CLIENT'S DIGITAL ASSETS

by Betsy Ehrenberg, CEO, Legacy Concierge

Digital records have a huge impact on estate planning and management by family offices, law firms, wealth managers, private client advisors, institutional trustees, and financial consultants. When digital assets are left scattered in the cloud, the family's estate components and asset value are subject to devaluation and disappearance.

Strictly speaking, digital assets are content stored in any electronic format. That could mean images, photos, videos, files containing text, spreadsheets, or slide decks. New digital formats are constantly emerging; therefore, the definition of a digital asset is always expanding as well. Rather than a definitive list of file formats that qualify as a digital asset, digital assets can be any content, in any format, stored digitally or electronically, that provide value to the company, family, user, or consumer.

Trusts and estates increasingly are comprised of digital assets in the form of computer records that represent assets owned or managed by the individual, their estate managers, fiduciaries, and trustees. Given this expanded definition of digital assets (beyond cryptocurrency, social media, emails, messages, and calendars), the scale and scope of an estate plan, its management, and administrative effort that secures and protects digital assets is an open-ended complex responsibility.1

Historical Perspective Concerning Digital Assets

Attorneys and others involved in estate administration need a systematic approach to handling digital assets during probate. Experts have been writing articles in law journals about this problem since 2013, presenting papers at their local, national, and international association meetings and experiencing the devastating effects of identity theft against some estates they are administrating. The Federal Trade Commission in the United States received over 320,000 reports concerning identity theft in 2017, whereby the fraudster assumed the identity of the decedent and systematically reduced the value of the estate. Nationwide in the US, over 13% of deaths each year resulted in reported theft representing a loss of over $1B in assets in 2017.2

During this same time period, billing policies increasingly transitioned from hourly rates to fee-based (percentage of the estate) or fixed fee schedules in private client, trust, and estate practices. More and more professional firms are steering away from hourly charges for trust and estate administration, thereby necessitating more efficient ways to protect and administer family estates containing digital and tangible assets. What else is happening?

Estate planning legislation worldwide clarifies how estate trustees access digital assets of any estate. Data control is removed from the vendor and restored back to the fiduciary. Having a list of company sites holding records of the person before passing is optimal; however, business protocols and regional laws provide processes by which fiduciaries can gain access to the assets when that is not easily available. When the user consents or Court orders, office managers and estate administrators can access the content of the electronic accounts.

Several Ways to Protect Digital Assets for your Clients

Protecting the estate and its digital assets is an ongoing activity. Knowing where to start, what information to collect, and keeping on top of the process is a monumental task. If left to the family office manager, successor, and/or the fiduciary, many digital assets and electronic records will remain in cyberspace, potentially creating accounting and disposition resolution problems that are costly and embarrassing.

Organize and document digital assets by storing asset descriptions in a secure and private electronic location and providing a roadmap to access digital asset disposition instructions after death.

Can one get fully organized when everything is digital? Electronic records exist for both digital and tangible assets. Cryptocurrency is a digital asset described in an electronic record with embedded security elements that tie one record to another; the collection of records are assigned to their owners. This format is called blockchain and for many estates represents a very valuable digital asset.

Some assets may belong to the estate but are currently held outside the estate as escheated property in government files and private business accounts. Tax returns often provide one roadmap for creating an inventory of trust and estate holdings. You can examine missing money association files to locate escheated property.

If there are important collections (art, jewelry, wine, furniture, automobiles, and the like), now is the time to inventory collection information within electronic forms. When collection records have been finalized, it is essential to store these documents in a locked format and eventually download files to an external drive.

One's legacy should live on forever; their accounts should not.

Digital assets represent and are a dynamic road map to major portions of all family wealth. For this reason, wealth managers, trustees, and financial planners have a compelling reason to conduct an annual digital asset review with their Client. Although a secure list of assets and library may have been built at the beginning of the Client's trust and estate planning process, comprehensive content review and updates should be done periodically.

THEN AND NOW: HOLDUN FAMILY OFFICE

Back in the 1970s, investment businesses had little or no information on most companies. If investors wanted to learn about whatever was going on in the world of business, they had to search very high and very low, unlike today, where information is readily available anywhere and everywhere you go, without trying very hard.

So, looking back at the 1970s, what channels were available then? Well, there were annual reports and perhaps a few brokerage reports. The brokerage reports were certainly not objective, but they were intended to generate brokerage business.

In that regard, the business has not changed that much even today, although, thanks to the Internet and readily available information, competition has greatly intensified. In the '70s, to gain an informational edge, investment managers had to do their homework, visiting companies, talking to competitors, visiting libraries, really anything that would provide some information not widely known, if at all, by other managers.

Indeed, in the 1970s, Warren Buffett used to visit government agencies, scouring files and reports to understand what companies owned and owed. That was how little information was publicly available. To add insult to injury, commissions were fixed like an old boys' club, very much still in existence today.

As financial institutions grew larger and more professional, they started to take on the old boys' club, first eliminating fixed commissions and gradually building in-house research teams. In addition to Wall Street research, independent research boutiques began to emerge. Institutions that had previously farmed out their money management slowly began to build their management teams and repatriate a good portion of their assets.

What caused all this to change? Money, and lots of it, from banks, insurance companies, brokerage

Brendan Dunn

CEO Holdun Family Office

firms, independent asset managers, government agencies, and Sovereign Wealth Funds. There was plenty to go around and finance the growth of readily available information because, after all, that is what competition is all about, having an informational advantage. In terms of publicly available information, it has been quite a learning curve since the 1970s. Then, there was little publicly available information. Now, we are swamped by it, and all at the click of a button. With very little effort, one can access all the information needed on a company, industry, economy, or anything else. In fact, the information found is usually abundant and more than necessary, contrary to what investors used to experience in the past.

The digital age has transformed the money business where anything and everything is available on-demand, some by subscription, some free, and some exclusive to the highest bidder to gain an advantage. The money management business is no different. It is extraordinarily competitive, and the rewards are equally extraordinary for those who win by gathering the lion's share of assets. Look no further than the enormous marketing departments that surround the large money managers, trumpeting their performance to attract more assets and those firms that stumble and see their assets shrink in a matter of months. With the advent of ETFs and index funds, the money management business is no longer controlled by the few. Today, individuals and institutions alike can set their own course independent of the past.

Money management has become democratized, where you and I can determine what we want to own, where we want to own it, and how much we are willing to pay for it. The business has been turned on its head in a matter of a few decades, and many more and better changes will appear in the future as young and eager entrepreneurs identify opportunities in the fintech space, potentially disrupting the incumbents.

Every industry, including banking, insurance, real estate, and many others, as well as money management, is ripe for disruption. And let's not forget the impact of Artificial Intelligence (AI). AI refers to the ability for computer science to be applied in ways that replace human intelligence.

What a playground the asset management business offers up. As an example, uncertainty is and has been one of the most significant challenges faced by investors and managers alike. Did you know this uncertainty can now be turned over to an algorithm encroaching further and further into the once exclusive domain of human analysts? The ability to trade risk and reward at the flip of a switch will revolutionize asset management as we know it today. Is this truly happening in 2019?

The transformation we have witnessed over the past 50 years will be dwarfed by what transpires over the next 50 years. Look no further than the vast amount of money that has been raised by fintech and AI companies already, and, in a few years, the results will become apparent. Yes, there will be many failures, but failure builds on itself, and new paradigms will emerge. After all, there is money to be made by those who succeed.

More than ever, one must learn to adapt to a rapidly changing environment or, perhaps, risk becoming redundant and irrelevant. Based in the Bahamas, Brendan Holt Dunn is the CEO of Holdun Family Office, an international, independent, Multi-Family Office helping families like they do their own, building wealth and security for generations. He is also the Founder of the Holt FinTech Accelerator, based in Montreal, Canada, and he is a board member of the Canadian Lyford Cay Foundation, in the Bahamas.

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LURSSEN YACHTS

TIS SUPERYACHT WAS BUILT IN 2019 TO PYC CLASS

Photos TIS®KlausJordan www.lurssen.com

TIS is a yacht that demands you expect the unexpected. Her powerful and brooding exterior allows guests to safely and comfortably cruise the world's four corners with her ice-classed hull, while hiding a sumptuous yet delicate interior that delights and surprises in equal measure.

TIS was built in 2019 to PYC class by Lürssen, with both interior and exterior design by Winch Design. With her long and well-balanced sheerline, 111-metre TIS is an unequivocally elegant yacht. Her precise proportions and sweeping curves allow a yacht of her size to be both grand and graceful. With a beam of 16.85 metres she boasts fantastic interior volumes, which have been designed to be both spacious and intimate.

Amidships on the main deck is a stunning formal entrance lobby. The elegant sweeping marble staircase with ornately carved brushed steel and 23.8 carat gold handrail creates an impressive first sight for guests and sets the tone for the rest of this palatial yacht. Suspended above the lobby are the hanging balconies of the upper decks, allowing for the visually stunning impact of a quadruple height ceiling. A lift shell inspired by Le Bristol in Paris with its own ornate sofa inside completes this space. Moving aft, the lobby opens into the formal office and dining room, via the amusing infinity-style mirrored wine storage. On the port side is a bespoke dining table that seats 16 comfortably. This space has been designed to fulfil a dual purpose and converts into a boardroom. Marquetry inserts in the table remove to reveal plug sockets and charging points, and a large painting disappears to reveal a television screen for conference calls. To starboard there is a formal office and lounge that can be opened up to create one large conference space, or both rooms can be individually closed off for privacy.

The salon breathes fresh life into a classic setting. Cascading down into the room with grand impact are two ornate staircases. Warm creams, dark oak Palais de Versailles-style parquet and rich blue tones give the room a formal and classy feel. The traditional carved furniture is classic Louis XIV to Louis XVIII style, and there is plenty of impressive marquetry within the mahogany timbers, with fruit inlays and gold gilding details. The impossibly soft cream and blue silk carpet takes its inspiration from both the leaf design of the staircase and classical Parisian archives, tying the room together in both style and colour.

Up these stairs is the Owner's salon. With a colour palette of creams and off whites and pops of lime green in the soft furnishings, this space is just as luxurious as the main salon but in a more informal way. The space is peppered with beautiful antique objets d'art, tied together with silk De Gournay artwork of Parisian monuments. Hanging from the leather-embossed ceiling dome is a stunning glass chandelier with cascading hand-blown leaves of glass.

Aft of the salon is a large winter garden-style aft deck, with sliding glass doors to keep the elements at bay. A large mahogany dining table is the main al fresco dining space on board. There is a large bar with bespoke matching bar stools and built-in seating areas, including a large chaise, armchairs and an elliptical sofa. Forward on this deck is the Owner's stateroom. A serene haven away from the world, it includes a private hair and beauty salon and massage room, his-and-hers bathrooms, dressing rooms and private balconies and a full beam cabin with 180-degree views over the bow.

The Owner's cabin is decorated in a calm colour palette of warm creams, sage greens and precious metals. Furniture including a sofa and an ottoman give the room a lived-in and cosy feel. Crisp white bedding with scatter cushions in greens and pinks create an inviting space to get away from the world and stargaze at night thanks to the large skylight above the bed. During the day, this same skylight allows the sun and sky to pour in, adding another dimension to the views. Forward, a private terrace features two exterior nooks with tables and built in upholstered sofas.

There are eight guest cabins, each representing a unique geographic destination. On the lower deck, Provence and China Seas can be arranged into singles or double, with the rest of the guest cabins in a double formation with optional sofa beds. Each of the cabins enjoys an astounding level of coherence within their individual themes, with the most minute of details linking each of the spaces. Provence is light and playful, with soft yellow silk wallpaper incorporating a bee theme.

On the main deck are London, Paris, New York and Marrakech. Two of these cabins possess a sofa bed, large desk, armchairs and side table, while the other two boast large armchairs. London takes its inspiration from Claridges, with a quintessentially British décor of mahogany and marquetry. The colour theme is crisp whites and rich blues, with a stunning blue marble bathroom, while Paris is an homage to a bygone age,

with Fleur-de-Lis motifs and Toile de Jouy on the fabrics. New York takes Art Deco to another level, picking the most elegant details from that era. Beige feature stone with high-gloss rosewood, a nod to the Chrysler Tower and fan shape details all come together to create a thread that you can unmistakably identify. Marrakech has serious impact, with deep pink accents and furniture boasting a mother of pearl inlay. Hand embossed metal side tables are custom made for this space, as is the day bed along the window.

Both the beach club and the spa are also tied together via geography, this time through a Capri-inspired décor. The beach club is a transitional space between the exterior and interior; a luxurious and relaxing halfway house. Lime-washed oak panels give the space a bright feel and there is a huge bar complete with matching bar stools, dining table and sofas. Teak flooring helps bridge the inside and outside spaces, but a custom pattern removes any hint of the industrial. Through a side door to starboard is a sauna, ice fountain and shower, which leads onto a foldout swim platform.

On the bridge deck, the spa features a citrus theme. The Lemon Grove is a dedicated relaxation room, with carved stone lemon trees climbing the walls. There is a Hammam, a hair salon, a massage room with Capri-themed painted walls and a day head with a bold honey onyx vanity and mosaic floor. The stone floors throughout have been hand-chipped to give a soft, aged feel. Aft of the spa is the impressively equipped modern gym, complete with four live lemon trees, which leads out to the twelve-metre long infinity pool and Jacuzzi. This space is primarily for lounging and relaxing, with plenty of integrated sunbeds and built-in seating around the bar. A rain shower appears from the ceiling on one side, while on the other a hanging chair is a playful touch.

The upper deck is home to the most unexpected room on board: a Parisian Ladurée-inspired tearoom. This unique space is a feminine tribute to this elegant pastime, with traditional tones of pastel greens, pinks and purples. Louis XVI-inspired sofas and armchairs link to the trims on the curtains via scatter cushions, all in the colours traditional to the famous French patisserie. An exterior space forward comprises two pilot chairs and a further casual seating and dining nook. A world away from this bright utopia is the cosy art deco cinema, located amidships on the lower deck. It can be accessed either by the main staircase, or, more dramatically, via a glass corridor from the guest cabins that bisects the double height engine room. This soundproofed space allows guests a usually impossible but very exciting view into the heart of the yacht.

TIS has a top speed of 18 knots and a range of 7,000 nautical miles at 12 knots cruising speed thanks to her two 3,200 kW engines. Elastically-mounted engine equipment ensures quiet running, and the three generators are encapsulated in custom boxes, dampening the sound. Extending zero-speed stabilizer fins deliver a smooth experience both underway and at anchor. The yacht is fitted for Tier III conversion and the exhaust system is equipped with HUG particle filters and soot burners, providing excellent fuel efficiency and lower emissions. A heat recovery system saves energy by using heat loss from the generators for heating the pool.

The bridge enjoys a sleek finish in lime-washed oak and navy blue. The systems are state-of-the-art and boast the most modern software, with everything integrated from security, to dynamic positioning, to the radar. Down below is a large crew mess, as well as a crew tv room and gym for downtime. There is also a hospital room with medical equipment.

Helicopter operations can take place from two locations, with the bow strengthened and certified for parking, take off and landings and the aft of the top deck designed for more occasional operation. When not in use, this deck also doubles as both a dance floor and an outdoor cinema, with removable outdoor furniture. Support boats include two customised 38-foot Wajer tenders in both limo and open versions. Up to five PWCs are stored on board as well as two rescue tenders and various water toys.

www.lurssen.com

WORLD'S MOST EXCLUSIVE PROPERTIES DISPLAYED AT EUROPE'S ONLY LUXURY PROPERTY SHOW

This year's new-look Luxury Property Show will offer visitors the opportunity to discover the most luxurious properties for sale across the globe and enjoy a host of exclusive experiences when it returns to Olympia London on 31st October and 1st November.

The only exhibition in Europe dedicated to connecting discerning buyers with experts in high-end property, the event will present visitors with the opportunity to meet with lawyers, currency specialists and tax advisors, as well as viewing incredible properties from the most sought-after locations in the world. Visitors will also be able to take part in luxury experiences and benefit from advice on all types of investment, from property, to art and watches.

Luxury Experiences
Upon arrival, VIP ticket holders will be offered a complimentary glass of Champagne PIAFF, which has been handcrafted in the vineyards of the Marne River valley for five generations. Guests who have pre-booked tickets will also enjoy access to the VIP lounge, hosted by international property developer, Sobha Realty, which will be showcasing its luxurious freehold community in Dubai at the show.

Golfzon will join the event with its state-of-the-art golf simulator. Favoured by professionals, it gives golf enthusiasts real swing practise; the simulator provides accurate feedback to give true strike results, helping users improve consistency and lower handicaps. Golfzon will be running nearest to the pin and longest-drive competitions for visitors to show-off their skills during the show.

Elsewhere at the show, Luminaire Arts will present a specially curated gallery of work from British artists, including a unique range of original art, sculpture, mixed media, prints and photography. The exhibit will be on display exclusively on the show floor for visitors to immerse themselves in on both days of the show.
There will also be a host of speciality food and drink tastings, including the opportunity for guests to sample premium chocolate, coffee and wine.

Exclusive Suppliers
The show will host over 40 exhibitors, including luxury brands and high-end estate agents such as Sotheby's, Christie's, Manoirs et Châteaux, Abels Movers, Blevins Franks and New York-based real estate specialists, Corcoran. With properties on display from some of the most exclusive locations in the world, visitors will have the opportunity to discover luxury homes in the UK, Spain, France, Switzerland, Portugal, the USA, Mauritius, Dubai, Thailand and more.

As well as displaying a broad selection of the very best international properties on the market, many of the exhibitors will be hosting luxury giveaways. Villa Collection will be offering visitors the chance to win a seven-night stay at the Port St Charles resort in Barbados, whilst Bürgenstock Hotels & Resort will be gifting one visitor a two-night stay at its residence suite in Lake Lucerne, Switzerland.

For those looking for practical advice on the process of buying or managing a property abroad, professional services firm, Felicitas will join the line-up alongside Buckles Solicitors, Claim Makers, and tax and wealth management agency, Blevins Franks.

Expert Seminars
Visitors will also be able to benefit from a two-day programme of educational workshops and seminars, delivered by experts in the luxury property market and devised specifically to enhance the experience of buying a home abroad, or in the UK. With advice from lawyers, currency specialists, design experts, estate agents and solicitors, content will cover a broad range of topics, from interior design through to tax advice.

The seminar programme will commence on day one with a session from lighting expert, Terry Hibbert as he explores 'Why lighting is the single most important part of any luxury property'. For those looking for interiors advice, Paresha Raj-Burnett from Luminaire Arts will share her top tips for commissioning art for a home.

Carl Hasty from currency exchange experts, Smart Currency Premier, will offer his advice on avoiding the risks involved in moving money overseas, whilst Julia Cahill from Cocoran New York will join the line up to offer her advice on identifying the best buying opportunities in New York and the Hamptons.

Jana Korpova-Harris, Director at the Luxury Property Show, concludes: "We are so excited to be launching the new-look Luxury Property Show for 2019. With premium real estate, tailored advice and unmissable luxury experiences, the show is set to be the biggest and best to date.

"We know that investing in a property, or finding a second residency, isn't just about real estate, it's also about location, tax regimes and, most importantly, lifestyle. As well as allowing visitors to discover the most luxurious properties on the market across the world, we are confident that our exclusive features and expert seminar content will equip visitors with invaluable insights to help support them with their next purchase." For further information, visit the Luxury Property Show website.
www.theluxurypropertyshow.com

CIRCULAR ECONOMY AND PORTUGAL AS AN INVESTMENT CHOICE

by Margarida Monteiro

The world's current model of production and consumption is pushing beyond the limits of our planet's natural resources.
In a contrast to a "Take-Make-Waste" resources approach of a traditional linear economic system, circular economy aims to reinvent the status quo, assuming that the continuous consumption of limited resources and continuous growth of needs of modern societies are not sustainable for business, people, or environment.

Circular economy is based on a disruptive approach of redesigning business and industries in order to minimize the use of limited resources, research and maximize the use of unlimited ones, and strategically incorporate in the business model, the normally ignored end-of-the-linear-chain, the "waste". Not ignoring "waste" in an equation of a business model design can incorporate it as a new resource, reused, repaired, or re-manufactured, potentially even regenerating the system.

Circular systems are not only resource-effective, but also cost-effective models that bring a key competitive advantage to any of the businesses that embrace it, creating sustainability, savings, and goodwill.

Sustainability is actually a concept deeply connected with Family Wealth and Offices, as the aim is to manage and invest Wealth and the Family Heritage meeting "the needs of the present without compromising the ability of future generations to meet their own needs" (UN Sustainable Development definition).

Receiving a Legacy of a Family – cherishing it in order to provide added value and growth, not compromising future generations – means investing this Legacy with a sustainable and purposeful vision.

Some strategies of investment have dual paths, though. The Investing Risk/Growth for one side, and the Philanthropic/ Reputational/Purpose for another.

Margarida Monteiro
UNIQTED

The "extra-mile" strategy should consider a Circular Investment Model, where investment with purpose and sustainability equals investment with growth and added value in a regenerative cycle.

Family Offices should incorporate this wider vision, new concepts with new multidisciplinary Talent, in order to prepare for this fascinating, yet disruptive and challenging, moment.

Business and investment strategies will only survive and expand if all of these new dimensions and concepts are smoothly addressed but strategically incorporated. Either way, sooner or later, legislation or consumers will force this shift.

The circular economy is an irreversible trend to a sustainable existence, yet much is still needed to scale it up, fostering stakeholders' engagement. And Family Offices can be a key impactful player.

Portugal can be seen as an opportunity in this transitional moment, as much is still needed to be done, but the country offers a vibrant attractiveness environment to start with it.

Why Portugal?

Portugal is a southern European country, with a steadily growing economy and stable political and social environment, within a secure, integrative, and cooperating society.

To face the 2010-2014 national financial crisis, an entrepreneurial movement bloomed and a number of business-friendly policies and attractive taxes to both EU and non-EU investors leveraged the recovery of the economical system.

Portugal was considered a top tax choice and investment country with its offer of Golden Visas, non-residential tax incentives, and a recently introduced Tech Visa, besides other business and tech-friendly policies.

The Residence Permit Programme for investors (Golden Visa), for instance, enables non-EU citizens to invest in Portugal, gaining a temporary residence permit and a free circulation in Schengen area, applying after an investment at a minimum of €500,000 in acquisition of real estate, or a minimum of €350,000 enhancing research activities or even €250,000 supporting artistic and national cultural heritage.

The country balances modernity with tradition. Centuries of History and Heritage, live side-by-side with the highest examples of modern Architecture, Cultural and Research Centres, Universities and Creative Hubs in a growing Tech Ecosystem.

Highly skilled, qualified Talent, and English fluent culture coexist with traditional niche manufacturers and biological production. Portugal can also be a potential gateway to a market of 250 million Portuguese-speaking countries.

Beautiful, natural sceneries, rich Mediterranean gastronomy with a multicultural flavour offer, in a peaceful and welcoming culture, promotes an excellent quality of life, enabling satisfying different lifestyles, while Lisbon or Porto, stays at over two-hours' flight distance from London or Paris.

The start-up ecosystem, tourism, and real estate are booming sectors, and Portugal is attracting Investors, Enterprises, Talent, and new Inhabitants from all over the World.

As in this year's speech of David Lipton, the First Deputy Managing Director of the International Monetary Fund Conference, about Portugal said:
"As we face a period of heightened uncertainty and risk, this country has shown that there is a way forward by rising above differences in the face of common challenges. It is also a lesson for the rest of Europe—indeed, the world."

www.uniqted.com

CAN SUSTAINABILITY REPORTING REDUCE FINANCING COSTS?

by Philipp Müller

More and more investors align capital allocation to wider goals of financial stability and sustainable development. The view that investment strategies should create a positive impact for both business and society is now widely accepted. Corporate disclosure on sustainability issues such as climate change, human rights, governance and social well-being has increased significantly since the launch of the Global Reporting Initiative (GRI) in 2000. GRI helps businesses and governments worldwide understand and communicate their impact on critical sustainability issues.

Today, more than 80% of the world's largest corporations use GRI standards. Only in Switzerland, 42 out of the 50 largest listed companies (SMI Expanded) published a sustainability report for the 2017 financial year according to a recent survey. Overall, the market for sustainability reporting is maturing, and quality is improving continuously. New techniques based on machine learning can unlock valuable insights and offer ways to apply sustainability data in addition to conventional financial reporting. Initially viewed as a 'necessary evil,' disclosing sustainability information is now a vital element of corporate reporting. For corporations that have a relatively good sustainability performance, reporting can be a key differentiator. But can sustainability reporting reduce financing costs for companies?

Different studies have illustrated that less information asymmetry through improved disclosure on sustainability performance leads to lower costs of equity capital. Investors feel less need to price in risks when information asymmetry is reduced, leading to a decrease in the cost of capital. Whilst there is no evidence for immediate effects, sustainability reports and integrated reporting can indeed lower the cost of debt and equity in the medium and long term. These effects can be attributed to two main factors: (i) the adoption of a more sustainable business model and (ii) an information asymmetry reduction caused by greater transparency, thus allowing for more informed forecasts by both borrowers and lenders. In short, sustainability disclosure can increase transparency and effective management and thereby enhance the ability of companies to attract long-term capital with better financing conditions. With the global socially responsible investing (SRI) market now being worth almost USD 23 trillion, the demand for investable sustainable assets is growing in line. Sustainability disclosure data is becoming increasingly important for asset managers to identify suitable investment opportunities. This may open up financing opportunities for companies scoring high on sustainability performance.

Incorporating sustainability reporting into the investment process also benefits investors. Sustainability reporting leads to additional insights concerning positioning, management, operational efficiency, environmental and other potential risks, ultimately leading to better investment decisions. Recent studies and performance data suggest that integrating sustainable and impact reporting have a particularly positive impact on returns in emerging markets. A comparison of annualized returns since 2012 shows that sustainability-focused debt and equity indexes in emerging markets outperform the standard index, with comparable volatility. This seems not surprising given the relative information inefficiency of emerging markets: the analysis of sustainability reporting provides investors with a set of information that is complementary to traditional financial metrics.

Good examples in this context are Green and Sustainable Bonds issuances. More and more investment managers develop in-house tools to assess the impact of bond issuances based on the issuer's sustainability reporting and on third party reports. These in-house tools often rely on industry standards set by the International Capital Market Association (ICMA), who has produced the widely accepted Green Bond Principles and Sustainable Bonds Principles. BlueOrchard, for example, developed an impact assessment process with detailed criteria to assess the social and environmental impact of bond issuers and bond issuances. The proprietary analysis tool used for the sustainability assessment assesses impact criteria based on publicly available information. In parallel, BlueOrchard leverages its regional offices to gather additional and fundamental information on the local market. Other asset managers may apply similar processes, combining the sustainability and financial reporting.

Since frontier and emerging markets represent such a heterogeneous set of markets, local expertise and a detailed understanding how different risks may impact these markets and relevant companies remain crucial. Successful investors combine detailed, fundamental analysis with local knowledge. Investors who are able to incorporate sustainability reporting into the investment process can benefit from these opportunities in some of the fastest growing markets in the world. So do companies who provide sustainability reporting - the more a company is able to provide clear and transparent information on both financial and sustainability achievements, the higher it will score in the asset manager evaluation processes and qualify as an investee for the increasing volume of sustainable capital. The increased transparency brought by sustainability reporting broadens the investment universe for asset managers and can reduce investment barriers, especially in emerging markets.

About Philipp Müller
Philipp is Head of Investment Solutions at BlueOrchard Finance. Prior to joining Blue Orchard, he was Senior Vice President of Investment Solutions at Partners Group, where he assumed global responsibility for the formation of funds and other investment vehicles. During his 10-year tenure at Partners Group, he assumed different management roles in the UK and Switzerland. Prior to this, Philipp worked for 47 Degrees North Capital Management and Swiss Re. Philipp holds an MBA from ETH Zurich, as well as a Master's degree in Law from the University of Zurich.

About BlueOrchard Finance Ltd
BlueOrchard is a leading global impact investment manager. The firm is dedicated to fostering inclusive and climate-smart growth, while providing attractive returns for investors.

www.blueorchard.com.

SHOULD INVESTORS MOVE SHARE REGISTERS TO THE BLOCKCHAIN?

Family Offices continue to show an interest in Blockchain and are keen to follow the progress of companies who are likely to make good investments.

They are also educating themselves on the technology itself, the players in the field, regulatory issues and indeed the investment opportunities which present themselves. Since investors want more liquidity of their private investments, we see now the end of an entire era of share registries kept by private companies on spreadsheets – something that is good news for investors, who will now benefit from greater security and transferability of private securities issued in a digital form.

All public companies keep their register of shareholders in electronic form with the local registrars, while most small and medium enterprises have traditionally been maintained manually on spreadsheets or even on paper-based records. Nevertheless, thousands of private companies have already started to use the electronic registry service provided by CapShare, Carta (formerly eShares), Capdesk and a few others. Traditional electronic databases used for registry services are vulnerable from a cybersecurity and corporate actions perspective.

This includes making direct changes to the register of shareholders, which can be done by authorised company representatives as desired. Unlike traditional electronic databases, this new type of electronic register using distributed ledger technology, decentralised between the number of computers which validate the transactions, thus securities ownership can be only acquired through the allocation, distribution or transfer of digital securities.

Even though there are still not many blockchain-based registrars on the market, a few, such as HighCastle (UK), Daura (Switzerland), myStake (Australia) already provide private companies with a distributed database (ledger) to maintain company records in electronic form and so ultimately simplifying shareholder management, share transfers and trading.

Unlike the all platforms that use public blockchains (namely Ethereum), HighCastle's Prime Issuance, Registry and Settlement Distributed Network (PrimeNet) is a secure permission-based accessible option providing issuance and settlement only through regulated investment firms, brokers and exchanges. Blockchain-based digital share regisry quite simply makes trading private equity and debt easier, more efficient, more secure and less expensive.

Most national laws require only majority shareholders to be disclosed on the public company register, while during the year companies are required to keep a full register of shareholders themselves. According to UK Companies House information, since July 10th of this year, the UK's Monzo Bank has moved all four main company registers to a private electronic register: Register of directors, Register of secretaries, Register of person(s) with significant control (PSCs), Register of members. Other UK unicorns and some of the biggest companies, such as Ovo Energy Ltd, Transferwise Ltd, Funding Circle Ltd, Opengamma Limited also have their company records moved to the private registers.

The UK Companies Act 2006 requires that company records be maintained by the company at its registered office or at any other place in the United Kingdom designated by the directors. It allows registers to be entered or recorded by any system of mechanical or electronic data processing or any other information storage device that can reproduce any required information in intelligible written form within a reasonable time. European law also confirms that use of blockchain as an electronic system for keeping company records and securities issues in book-entry form falls under the existing regulatory framework and doesn't generate legal complications.

Luxembourg has confirmed that securities can be held through DLT-like technologies: „The account keeper may hold securities accounts and register securities in securities accounts within or through secure electronic registration devices, including distributed electronic registers or databases. Successive transfers registered in such a secure electronic registration device are considered transfers between securities accounts. The holding of securities accounts within, or the registration of securities in securities accounts through, such a secure electronic registration device do not affect the fungibility of the securities concerned."

In Switzerland, the book-entry of self-issued uncertificated securities is unregulated. Swiss companies are free to use whatever registry they see fit. Consequently, most Swiss commercial or industrial companies are free to issue their own digital securities, provided that they observe applicable regulations, in particular, Anti-Money Laundering regulations.

Delaware's General Corporation Law has recently been amended to provide statutory authority for Delaware corporations to use blockchain, a type of distributed ledger technology or "DLT," for creating and maintaining corporate records, including the corporation's securities register.

The UK Companies Act 2006 Section 769(2) allows a company to provide the conditions of issue of shares, debentures or debenture stock. Such conditions about the digital or uncertificated form of issuance could be laid down in the company's Articles of Association, Prospectus or Subscription Agreement. Upon issue of uncertificated transferable securities by a public or private company, they can be listed on the regulated trading venues, including European MTFs.

A number of pre-IPO companies and scaleups are traded in secondary markets such as AssetMatch, OTC (over-the-counter) markets and privately, but the majority of private equity is still frozen in the illiquid form of paper securities. Tokenisation of private securities (dematerialisation of securities with the use of distributed ledger technology) and moving the registry of shareholders to the distributed ledger allows investors to transfer and trade private equity in electronic form without loss of direct ownership of the asset. Tokenisation changes a private securities market dramatically. It also provides an opportunity to leverage the benefits of the public market (liquidity, diversification, voting and shareholder management, automated compliance) with even greater efficiency.

In the next five years we will see a huge shift in the private equity market, more investors will choose to hold and transfer private securities from digital wallet-to-wallet, trade private digital securities OTC and trade them on organised markets (MTFs) in digital form. This will impact private equity and private debts strategies: It will lower the risks of illiquidity and increase the investments volume in private equity and debt. Digitisation of private securities will increase the transfers and trading volume of private funds (VC, Real Estate etc), private debt, and the private equity of pre-IPO companies.

Maintaining a share register can sometimes feel like an annoying compliance burden, but for shareholders and investors, it's a vital record of their legal ownership in a company, therefore companies get understanding of the importance of registry services from a security perspective. An online share registry service allows shareholders to manage their own contact details and it can also be synchronised more easily with any CRM platform used to manage shareholder communications.

By Ulyana Shtybel, Chief Capital Officer, HighCastle , the UK blockchain-based investment marketplace and share registrar.

THE PERILS OF ILLIQUID ASSETS AND LIQUIDITY RISK

By Dr Paul Magro Founder RiskCap International Ltd

Liquidity risk is not important until it is. And then it becomes the only thing that matters. Fund managers can no longer ignore liquidity risk management.

Over the past few weeks we have heard and read the news on Neil Woodford's Equity Income fund and how it ploughed funds into illiquid assets. On 3rd June, the fund was closed to redemptions which left thousands of investors locked in the fund for at least 4 weeks. The issue is not that the fund was investing in illiquid assets - UK funds are allowed to invest up to 10% of its assets in unlisted assets. The issue is did Neil Woodford and his team understand the liquidity risk associated with these assets, moreover, did they have the appropriate liquidity management framework in place in order to facilitate the event of significant redemption risk.

The incident highlights the risks of liquidity mismatches when open-ended funds invest in unlisted assets while offering investors daily access to their money. Mark Carney, Governor of The Bank of England, pointed out that "$30 trillion of global assets are held in funds that promise daily liquidity to investors despite investing in potentially illiquid assets". Woodford isn't the first fund manager to run into liquidity problems. In 2016, after UK voted to leave the European Union, the country's largest real estate fund froze almost £9.1 billion of assets as investors rushed to get their money out. M&G Investments, Aviva Investors and Standard Life Investments all suspended redemptions from their funds devoted to illiquid property assets. In the US, Third Avenue Management, a mutual fund company founded by Marty Whitman, managed as much as $26 billion in 2006. In 2015, it was hit hard when its Focused Credit Mutual Fund imploded whilst investing in junk bonds.

Liquidity risk regulation has moved to centre stage as regulators have been looking into for some time at factors that lead to a fund to suspend dealings. The International Organization of Security Commissions, in February 2018, issued its final report on 'Recommendations for Liquidity Risk Management for Collective Investment Schemes'. Prior to that in 2016 the US Securities and Exchange Commission had released the 22e-4 Rule on Liquidity Risk Management Programs. In February 2019, the European Securities and Markets Authority issued a paper to provide recommendations on how investment funds can manage liquidity risk. Whereas in the UK, following a review of principal firms in the investment management sector, on 20th May, the FCA, set out a number of significant shortcomings including a lack of effective risk frameworks. These included failures to adequately assess liquidity risk.

What is Liquidity Risk?

Liquidity refers to the ability to execute transactions with limited price impact and tends to be associated with low transaction costs and immediacy in execution. An asset is considered liquid when fund managers are able to buy or sell it with little delay, at low cost and at a price close to the current market price or fair value. Liquidity is multidimensional depending on a variety of factors including market structure and the nature of the asset being traded. Both the level and resilience of liquidity are important for market participants. Changes in market structure increase the fragility of liquidity.

Unfortunately, no single metric fully captures all relevant aspects of liquidity, making it difficult to assess liquidity conditions across markets or within a fund. Many factors may impact the liquidity of an asset, which can be measured by different modelling approaches. Because of the multifaceted nature of liquidity, a three-dimensional approach should be used to estimate asset liquidity risk, based on:

• Quantity: How much are we trying to sell?
• Time: How long do we have to sell an asset?
• Cost: How much liquidation cost or discount to fair value are we are willing to accept?

Liquidity Risk Management – A look at the tools available

Liquidity is typically better at lower quantities, with more time to sell and with lower costs. That said, expressing liquidity in a uniform way can be challenging, as any asset liquidity metric needs to take all three dimensions into account. Data challenges create further complications, such as the lack of security-level market activity data needed to model the liquidity of over the counter (OTC) instruments.

An effective liquidity risk management framework helps safeguard the interests of investors, maintain the orderliness and robustness of funds and markets, and reduce systemic risk, all in the support of financial stability. A strong liquidity risk management framework pays attention to governance, measurement and monitoring, contingency planning and product suitability, supported by best-in-class liquidity risk monitoring tools and systems.

To fully capture the multifaceted nature of liquidity risk, key risk measures should incorporate both time and cost dimension of liquidity risk by using dynamic, market databased inputs when analysing sources of liquidity in portfolios. In addition, the analysis should focus on estimating funding liquidity needs coming from redemptions. The availability and quality of the data required should be taken into consideration when selecting key measures to be used in the framework and reporting. Available key liquidity risk measures include:

Asset liquidity risk
Assessing the percentage of a fund's net asset value that can be liquidated and made available to investors as cash over a specified time period, at an acceptable discount to fair value, or liquidation cost.

Funding or redemption liquidity risk
Estimated percentage of a fund that could be redeemed in a defined time period combined with historical redemption rate patterns and the funding profile, including investor concentration and other investor characteristics.

Additionally, the liquidity coverage ratio (LCR) is a central measure bringing together asset and funding liquidity risk to estimate whether an open-end fund has adequate sources of liquidity — that is, liquid assets that can be converted into cash — to cover liquidity needs, such as investor redemptions, in normal or stressed market environments.

Finally, the importance of liquidity risk stress testing should not be overlooked. The aim of stress tests is to improve risk analysis to highlight the limits of risk measurement and management strategies. In particular, they flag up the consequences of, or conditions that might lead to, extreme scenarios, highlighting risks that have not been considered by the investment team. Liquidity stress testing and scenario analysis covering both asset and funding liquidity risk is an important part of an effective liquidity risk management framework and should focus on historical and hypothetical scenarios.

RiskCap International Ltd assists fund managers to establish superior liquidity risk management practices in light of an increasing market and compliance demands. RiskCap is a professional services firm committed to building partnerships with its clients by ensuring that that they have in place proper risk management frameworks.

With offices in the Miami, London and Malta risk management services are offered to fund managers and family offices with total AUM in excess of $7 billion. Practices are adopted in accordance with international and regulatory standards and use market leading risk analytics systems to provide professional risk reporting. The firm assists clients when it comes to implementing or reviewing risk management frameworks, day-to-day monitoring and reporting on the risks, such as market and liquidity risks, that are encountered by fund managers and funds.

THE TOP TRENDS IN SUPER PRIME CONSTRUCTION AND DESIGN

Nick Stuttard and Steve Howat, Co-Founders of London Projects

The world of super prime construction and design is ever-evolving, with new technology and manufacturing innovations being brought to market at an impressive pace. Remaining at the forefront of these trends and new advancements is key for us as Co-Founders of the super prime construction company, London Projects.

We built the business from scratch in 2005, having noticed a gap in the market for a construction firm that offers the level of professionalism and service expected from owners in prime London locations – most of our rebuild, renovation, and refurbishment projects are located in Knightsbridge, Belgravia, Mayfair, Kensington and Chelsea, and Marylebone.

We are fortunate enough to collaborate with many of the UK's leading interior designers, architects, developers and suppliers in the business, and those relationships have never been more important, as the demand for at-home tech, ground-breaking design, and state-of-the-art amenities continues to grow.

At-home fitness facilities, for example, are an increasingly important aspect of home renovation, something we have seen grow dramatically in popularity over recent years. We are finding that owners now want to create a 'social fitness space' in their home – where they can invite friends and train or do yoga or Pilates together.

We recently worked on the extensive refurbishment of two seven-storey townhouses on Albert Bridge Road and included state-of-the-art yoga studios in each property, which can accommodate groups who are training together.

In another property on Tregunter Road, in Chelsea, we worked collaboratively with the client on the design and fit-out of the at-home gym. The design cleverly includes a backlit barrisol ceiling, so despite being lower ground floor level, the room provides a bright feeling of natural light. The client enjoys training outdoors, and we managed to deliver the ultimate solution. On a practical level, working in super prime central London is a niche and often challenging environment for a construction company. Houses are terraced or very close to one another, meaning natural light is sometimes limited and must be maximised as much as possible.

Rooflights, glazed boxes, and roof lanterns are all in high demand, and the installation of these features can be very complex, requiring expert skill. Clients generally don't want to see joints in the glass, meaning the glazing panels are delivered as large, extremely heavy units that typically need to be craned onto site – this also involves closing off parts of the road. Challenges such as these can often be overlooked, but our Project Managers are highly experienced in managing situations that impact other residents – they work closely with the local councils to ensure good communication and minimum disruption.

An interesting trend we are seeing lately is the demand from clients for glass panels with a low iron content; this gives the glass an ultra-high clarity and removes any bluish or greenish tint and allows for the maximum level of natural light to come through. Lightwells over basement swimming pools are also extremely popular in our market at the moment – they provide not only natural light to the pool area, but also make an interesting glass feature in the garden.

The demand for good lighting is becoming even more prominent, as our clients are increasingly conscious of the impact of artificial light on their health and well-being. We strive to be at the forefront of AV technology and are now working a lot with Human Centric Lighting. This is lighting devoted to enhancing vision, performance, and well-being in the home or workplace by controlling the level of blue light we experience throughout the day.

Through the use of carefully selected "tuneable" LED luminaires and an appropriate control solution, the colour temperature of emitted light can be automatically adjusted throughout the course of a day. In keeping with our natural circadian rhythm, this aids our sleep/wake cycle (clients can be woken as part of a Human Centric wake alarm through the gentle introduction of natural light levels to the bedroom) and helps increase our productivity.

Human Centric lighting solutions have been incredibly successful in the workplace to help improve the well-being and productivity of the staff. It makes perfect sense that this technology is now finding its way into the home so families can also enjoy the benefits.

Collaborating with interior architects and designers on the aesthetics and interior features of a building is another key part of our work, and we have to adapt quickly to the design preferences and trends of the current market. Curved staircases are being requested much more regularly by our clients - they create a lot of visual interest and can become a focal point of any space. However, they do also present a number of interesting challenges, in terms of both design and installation.

We recently incorporated a bespoke curved staircase in one of our projects in Surrey. The challenge we faced here was that the curved staircase sat in front of a curved, full height feature wall that included recessed feature lighting and an intricate golden leaf art installation. Ensuring the curved handrail, balustrade, and stair treads all dovetailed meant all the individual designs had to be coordinated to the millimetre. The complex installation of each of these elements also restricted movement around the site, so programming and scheduling of each of the craftsmen were vital.

Throughout all our projects, we are thinking constantly about the client, not just about how they want their home to look, but also how they want it to function and how they will live seamlessly in the space. It is our responsibility to deliver cutting-edge construction, design, and the latest facilities and services, ensuring every client's evolving needs and lifestyles are met and their expectations surpassed.

INTERNATIONAL HOTEL INVESTMENT & DESIGN CONFERENCE

On 7th November 2019, experts from the hotel and tourism industry will meet at the International Hotel Investment & Design Conference at Hotel Andaz Vienna am Belvedere.

This conference is the leading annual meeting place for the CEE region's most senior industry leaders. The programme will focus on developments and trends and on the impact of design, architecture and branding on the value of hotel real estate. Sustainability matters, the conference will also focus on establishing the economic value of green initiatives in hotel investments.

There is also plenty of time to meet potential partners, one-to-one, and to enjoy legendary Vienna hospitality.

The focus on Central and Eastern Europe is important since forecasters see lots of growth potential in this fast-developing part of the continent. Hence the new motto: 'Global Trends – CEE the difference'.

Keynote speaker this year is Steven Kuhn, a decorated United States army veteran, author and consultant, who will share his view on 'The Social Transformation in the 21st Century'.

Over 40 experts will be joining in the discussion from the fields of Design and Architecture, Development, Operation and Consulting from Hyatt, Accor, GBI, Signa Real Estate, Fauchon Hospitality, Hilton, Christie & Co, Arbireo Hospitality Invest, Erste Group, Radisson and Louvre Hotels.

It is also the place where young professionals and students have a voice as they will shape the future. For the 4th time students of the Modul University Vienna will present the findings and final results to the audience of the conference. The Award Presentation has become an integrated part of the conference and shows the capacity of the University to combine academic studies with current demands of the industry.

The leading question for the 2019 project is related to the travel habits and the requirements for the perfect luxury stay for this generation: What is the most attractive luxury hotel brand for Millennials?

The top-level advisory board includes Ben Martin, Principal of HKS Advisory Services, Thomas Emanuel, Director of STR, James Dilley, Head of Interior Design & Hospitality at Jestico + Whiles, Marloes Knippenberg, CEO of Kerten Hospitality, Uli Widmer, Managing Director Development of Hilton and Roger A. Allen, Group CEO of Resources for Leisure Assets.

The conference is organised in 2019 by M + G Eventorganisation GmbH. This newly-created partnership allows Tanja Millner and Brigitte Gruber - both longstanding members of the organisational committee - to deliver an unbiased event.

For details of the program, please visit
www.viennaconferences.com
Contact: Tanja Millner
Mobile +43 676 6221680
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INTERNATIONAL HOTEL INVESTMENT & DESIGN CONFERENCE

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10:00 – 10:30	**"THE SOCIAL TRANSFORMATION IN THE 21st CENTURY"**
10:45 – 11:30	**TRANSFORMING HOSPITALITY** from a global perspective
11:50 – 12:35	**ARCHITECTURE & DESIGN** "Young & Sustainable"
12:35 – 13:00	**REALITY CHECK** "Delivering the vision"
14:00 – 14:15	**MARKET OVERVIEW**
14:15 – 15:00	**INVESTMENT LANDSCAPE** "Hunting for the best deals"
15:00 – 15:30	**BRAND AWARD** by Modul University
16:00 – 16:45	**BRANDS & TRENDS** "Definitive Differentiators"
16:45 – 17:15	**THE MAKING OF ANDAZ**
17:15 – 17:45	**SUSTAINABILITY MATTERS** "To green or not to green? Establishing the economic value of green initiatives in hotel investments."
17:45 – 18:00	**CONCLUSION** & food for thought for the future
18:00	**COCKTAIL RECEPTION**

Contact for further information:
Tanja Millner +43 676 6221680 / info@viennaconferences.com

DEVELOPING THE FAMILY'S CAPACITY FOR WEALTH CONTINUITY

By Aileen Miziolek
Consultant, The Family Business Consulting Group

Efforts at family wealth continuity can be divided into two main components. One is structural, including tools like trusts and estate plans, as well as rules and agreed upon policies for the family. The other is relational, made up of communication and relationships. Collectively sometimes referred to as family governance, both are necessary and must work together to create a strong foundation for the family's future. All too often, however, when families face challenges, their first instinct is to search out and apply theoretical best practices to improve structure. If policies have been previously established, they may revisit them in the hopes that existing rules will solve their problem. Often, they are surprised and sometimes become paralyzed with frustration when these approaches don't create progress. Unfortunately, and to the detriment of the family, the underlying need and opportunity to address the problem by strengthening relationships is often neglected.

Sandra and Betty Lawrence are sisters and second-generation owners of a successful clothing store chain. They are in their early 60s, and their ambition is to continue expanding geographically and engage the next generation in the family business. They were well-advised by their accounting professionals to create a family council to represent the family's views and interests and to begin planning for the next generation's involvement early by putting into place explicit family business policies to guide the family and business. These policies are well-written and include a shareholders' agreement, family employment policy, family ownership policy, and a family philanthropy policy. One problem – these policies were adopted from the best practices of other families of the accounting firm. In other words, the Lawrence family got the work done without doing the work!

They missed the opportunity to build shared understanding and relationship through the process of developing policy. By doing so, the conflict they intended to avoid with policy was never truly addressed.

The most important benefit of creating family policies is going through the process of doing so. Whether the focus is on family business or family wealth continuity, at the core of both are family relationships. When facing family governance challenges, family leadership should not make the mistake of focusing on rules and policies and theoretical best practices and think the relationships will magically fall in line and sustain themselves!

Family governance is essentially a living agreement between people. The process of creating family policies is a golden opportunity to strengthen and align family relationships. This may seem daunting if the family is fragmented, or if quiet (or not so quiet) conflict is brewing beneath the surface, but it is precisely at these times that the family must have the courage and the willingness to hold a mirror to itself and see its own reflection. Enter the concept of "the learning family." Helping a family learn to align and build relationships with one another is an essential part of growing a family's capacity to effectively implement their shared plans. All learning starts with awareness, hence the place to begin is increasing the family's awareness about their family system.

Families are complex systems. When families struggle with conflict and change, the issues typically are not complicated – they are most often complex. Despite the tendency to treat the words complicated and complex as synonyms, modern system theory makes a meaningful distinction between them that is significant when applied to family governance. Complicated systems are difficult, but the components can be separated and dealt with by applying rules, formulas, and step-by-step linear thinking – like building a machine. Complex systems like families, on the other hand, require more innovative responses.

They involve too many unknowns and too many complicated factors to reduce to rules and processes. They require iterative, non-linear thinking from within their system. Applying solutions that are suitable in dealing with complicated situations does not work in managing complex issues sustainably. As demonstrated with the Lawrence family, adopting policies, rules, and best practices from others didn't work, and over time, this approach led to family frustration.

Often the most productive thing to do at such a time is pause, put the policy work aside, and refocus the family to work explicitly on relationships instead - invite family members to become curious about their family as a system. The best way to start may be with a simple question: "How do you want to be together as a family?" Such a question puts family culture out in front and invites family members to step back and give thought to their aspirations for their relationships with one another. Family relationships are constantly in a state of flux. Recognizing when something stops working in the relationships and creating an opportunity to explicitly renegotiate a new way to move forward together is the key to evolving. This helps relationships continue to adapt and grow in response to change and challenge, which is inevitable over time.

Creating awareness of families as systems also leads us to understand the importance of each individual in the system. Honoring the well-being of each family member requires that they live their values and get their needs met individually to be able to positively contribute to the family. Following this train of thought, developing the "learning family" requires an individual and collective approach. Individual, to create self-awareness and build skills for engaging with the family productively, and at the same time collective, to increase the family's skill and resources for collaboration and shared growth.

This approach puts family relationships and the well-being of family members at the center of family governance. It generates a family culture where members feel safe and voices are heard. A relationship focus supports the flourishing of family and ultimately is the key to lifting capacity for wealth continuity.

Aileen is a consultant with The Family Business Consulting Group specializing in continuity planning for family businesses and thoughtful transfer of intergenerational wealth

www.thefbcg.com

COLLABORATIVE PROSPERITY: A CASE FOR VALUING SERVICE PROVIDERS

By Amana Manori, Chief Executive Officer, Highness Global Capital Inc.

There is a clear shift in how we are living, consuming, working and functioning in society. We are moving away from traditional arrangements, marketplaces, and jobs into the realm of sharing economies. These collaborative economies are reorganizing distribution, usage, and purchasing power. Social support is fostered by a deemphasise on individual consumerism in favour of lower cost options through the sharing of products, spaces and skills. Essentially, sharing economies have become the most modern method of value creation today.

As traditional consumer constructs are shifting into new economic paradigms, it is worth taking a closer look at the impacts and effects on the capital markets. The lesson from other collaborative economies is that there are a number of reasons to move away from traditional hierarchical business relationships towards a peer-to-peer playing field. In terms of the investment community, the implementation of a collaborative prosperity model can redesign the relationship between capital sources and those involved in the servicing of that capital.

A key feature of the collaborative prosperity model is that it is a socio-economic system built around the sharing of financial expertise and financial opportunity. The notion of sharing transfers us out of the dynamic of financial expertise in service of financial capital towards economic partnership.

A common argument in favour of shifting to a cooperative business model is that it can move service providers from unwanted cost centres to desired profit centres. Cost centres are viewed negatively and often dubbed the "necessary evil." While contributing to growth and financial success, their role is marginalized, as it is not seen as contributing directly to revenue creation. Thus, while they may be required in the business process, they are not appreciated in the same way as core revenue generating players.

This begs the question: what if the link between service providers and investors is restructured so they have a

Amana Manori
Highness Global Capital Inc

direct interest and influence on revenue and financial performance? First, their value proposition would change in terms of how investors would perceive them. Second, their services would likely be more tailored and effective, since they were tied to the bottom line. Third, they would have a more personal and emotional connection to the final outcome, which would bolster their incentive. Fourth, there would be increased accountability, as impact could be more easily measured.

Simply, the collaborative prosperity model produces a more efficient financial marketplace. It allows for a better distribution of skills, sharing of expertise, and use of capacity. Presumably as is the result in other sharing economies, the collaborative prosperity model within the capital markets will result in an increase in the value of products, assets, and services for a greater amount of people.

Perhaps the most important reason for redesigning capital market relationships is that we cannot deny the reality that other forms of capital are now gaining currency. While financial capital has historically been viewed as the ultimate source of power, today other forms of modern capital are acknowledged, recognized, and accepted...and in some cases, preferred. For instance, social capital has the power to influence and motivate in ways it never did in the past. Intellectual capital has the power to gain the edge by defeating the competition and providing a significant barrier to entry. Human capital not only has the power to produce, but also to compel and attract additional talent and opportunities. Essentially, various forms of capital beyond financial capital are interacting in a way unseen in the past, causing a recalibration in each's value propositions.

However, to make this shift from the traditional service provider-investor model to the new collaborative prosperity model, all parties must buy in to a few simple beliefs: a) everyone can be valuable; b) sharing is a good thing; and c) inefficiency is a bad thing. While this might sound like a rather simplified analysis, the truth is, there will be a great deal of ego, greed, and fear to overcome to make a meaningful change in how capital market players operate. Minds must be opened to think more collectively; power must be questioned and redistributed; and financial ecosystems must be reconfigured into new landscapes.

Similar to the many benefits collaborative economies have offered to society as a whole, the adoption of a collaborative prosperity model can deliver significant new value to the capital markets. While the conversation about transforming service providers to rainmakers is an old conversation, it has never made more sense than now. The transformation in thinking will not only allow for the maximization of skills and talent, it will make business interactions efficient and consequential. Although service providers may not be tooled with financial capital, their form of capital has currency. If the goal is wealth and affluence, the smart course of action would be to build an arsenal of various forms of capital to use as the ultimate global purchasing power.

ABOUT HIGHNESS
Highness Global Capital, Inc.
Sophisticated Dealer. Sophisticated Capital. ™
Highness is a sophisticated capital liaison and offers global alternative investment managers Canadian placement agency services.

STRUCTURING FOR SUSTAINABILITY

HOW AFRICAN FAMILY OFFICES CHARTERED THE MOVE FROM PHILANTHROPY TO IMPACT INVESTING

by Anesu Bridget Mhlanga

Africa is a continent whose wealth has sustained many of the world's most prominent empires, families, and individuals; from the British Monarchy to the Belgians, Cecil John Rhodes, the Rupert family, Aliko Dangote, and Patrice Motsepe. The list is endless.

The recent, disturbing xenophobic attacks in South Africa that resulted in the destruction and looting of stores in Nigeria belonging to a prominent South African family, as a response to the call by ordinary South Africans for foreigners to leave the country, serve as a reminder that inherent in wealth is a duty to serve.
A duty to improve the lives of the less fortunate and develop the social infrastructure in the communities in which one operates and speak out against injustice. The Hebrew word most closely associated with charity is "Tzedakah," meaning "justice"; perhaps we should begin to think of giving back not as a matter of self-sacrifice, but of rectitude.
Impact Investing for Family Offices has its roots in philanthropy. The philanthropic activities of Family Offices is often structured through foundations and trusts, but the sustainability of philanthropy, coupled with the growing need for social development amongst poor communities, has led many Family Offices to look towards Impact Investing as a sustainable solution for assisting those in need.

Family Offices in Africa are increasingly doing their part. However, Africa has far-reaching, deep-seated issues that cannot always be resolved by simply giving those in need money. When South Africa embarked upon its Black Economic Empowerment program, which sought to address the wealth disparities fueled by apartheid, funding was readily available to aspiring entrepreneurs of colour and women of all races, often without the requirement of collateral.

The fact that many still remain poor and unemployed is proof that this program failed to produce the host of entrepreneurs required to grow the economy and create jobs, proving that simple handouts are ineffective over the long-term and serve only to build a culture of dependency and entitlement.

For South Africa, entrepreneurship development, even with quick and easy access to capital, failed to produce global success, largely owing to the skills deficit, financial illiteracy – particularly amongst women – and corruption in the awarding of government tenders.

South Africa serves as an exception, since most African countries cannot afford to fund entrepreneurship development at such a rate. Surprising is the high illiteracy rate in a country considered to be a leading economy on the continent, second only to Nigeria. Herein lies the route of the problem, a less than desirable education system that falls short of development targets.

In stark contrast is South Africa's Northern neighbour, Zimbabwe, which has a high literacy rate that consistently ranks as the best in Africa, according to the United Nations official data. Yet with all this potential, Zimbabwe's economy has failed to rise to its potential.

The aforementioned scenario provides some insight that reveals Africa's problems are incredibly complex, and where giving back is concerned, African Family Offices have had to innovate and look beyond the textbook to develop sustainable solutions. Africa's brand of Impact investing by Family Offices has chartered the way towards success, and in time I believe it will continue to develop into a force for tangible, positive change.

Two Family Offices stand out in their dedication towards finding sustainable structures for impact investing in Africa. At the forefront of this revolution is Tony Elumelu, the Nigerian economist and entrepreneur whose name has become synonymous with entrepreneurship development in Africa. The Chairman of Heirs Holdings, the United Bank for Africa and Transcorp. The Tony Elumelu Foundation is the epitome of intelligent Impact Investing. Elumelu has understood the entrepreneurship development ecosystem and churned out over seven thousand entrepreneurs, investing twenty-five million dollars towards building sustainable businesses in Africa.

The second noteworthy Family Office is that of the Oppenheimer family, who made a name in the diamond industry through a shareholding in DeBeers. The impact of the family's Brenthurst Foundation is certain to create positive results for governments in Africa for many generations to come. The Oppenheimer family recognised many of Africa's problems stem from its leadership crisis, and thus they directed their impact investing efforts towards developing Africa's leaders to facilitate an environment of improved governance, thereby fostering sustainable economic growth.

African Family Offices have shown their desire to make impact and contribute towards the sustainable development of African economies through the creation of their own brand of Impact Investing, which addresses African problems using African solutions. Such models can prove useful for bodies such as the United Nations in their efforts towards achieving the UN Sustainable Development Goals.

Bio of Author
Anesu Bridget Mhlanga is the CEO of a Single Family Office based in Zimbabwe. She read Law at the University of Cape Town and University of South Africa and sat on a special Advisory Board for Microsoft in Seattle. Anesu is an entrepreneur and advocate for Women's Economic Empowerment and spoke at the UN Commission on the Status of Women on "Private Equity and its Link to Women and Sustainable Development."

LEVERAGING COMPLEX ASSETS TO ACHIEVE PHILANTHROPIC VISION

By Eileen Heisman is the CEO of National Philanthropic Trust

Donating complex assets for charitable purposes is an increasing trend. It is one that financial advisers and charities alike expect to see continue as the Baby Boomer generation retires from the workforce and executes wealth transfer plans.

Using a Donor-Advised Fund to Give Complex Assets
Financial and tax advisers regularly encourage their high-net-worth clients to look beyond cash when it comes to charitable giving. One donor took this advice to heart—her gaze landing on her stunning, 1930s Picasso oil painting.

Donating the painting to a single institution, such as an art museum, would have been fairly simple, but the donor wished to support multiple causes, including women's health and animal protection. Her solution came in the form of a donor-advised fund (DAF) with National Philanthropic Trust (NPT). NPT handled the eight-figure sale of the painting, and within a few months, the donor began making grant recommendations from her DAF to her favorite charities.

For family offices, complex assets such as art, real estate, and shares of a family or closely held business are among the most advantageous to transfer to charity for both philanthropic impact and tax benefits. While many charities don't have the ability to accept or liquidate these gifts, a charity that sponsors DAFs can help. DAF sponsors often have the expertise to convert complex assets—from cryptocurrency to closely held stock—into philanthropic capital.

Primer on donor-advised funds
DAFs are administered by a charitable sponsor, such as a community foundation, educational institution, or national public charity. When choosing a DAF, it's important for family offices to consider the charitable sponsor's grantmaking rules, investment options, and fees. It's also important to determine if a DAF sponsor can offer tax benefits that meet a client's unique needs. For instance, NPT is a U.S. public charity and can provide a charitable income tax deduction to U.S. taxpayers. For family offices filing taxes in both the U.S. and U.K., our affiliate charity, NPT Transatlantic, is a U.S.-U.K. dual qualified charity and recognised for tax purposes in both countries simultaneously. NPT-UK supports donors who wish to make charitable gifts and file taxes in the U.K.

Once a donor has selected a charitable sponsor, a DAF can be established in a matter of minutes, simply by submitting an application. There are generally no start-up costs other than the family's initial contribution, which can be as little as $5,000 to $25,000, depending on the DAF sponsor's policies. All contributions to DAFs are irrevocable and receive an immediate tax deduction of up to 60% of adjusted gross income for gifts of cash and 30% for gifts of stock or real property. This compares with a deduction of up to 30% of AGI for gifts of cash to a charitable private foundation, and 20% for securities.

Family offices can appoint multiple family members to serve as advisers or successor advisers. They can recommend how to invest and grant the funds. There is no mandatory payout rate, but most donors grant out far more than the 5% required of charitable private foundations. Similar to charitable private foundations, DAFs are created under a name chosen by the donor, such as the Taylor Family Foundation or the Taylor Giving Fund. Family members, however, can choose to be anonymous or include only the DAF name when recommending grants.

Donating complex assets
When choosing how to fund a DAF, family offices can consider the full range of assets they hold when they determine what to gift. In recent years, giving unusual or complex assets like collectibles, mineral rights, and privately held business interests to charity has been an increasing trend. Donating such assets to a public charity can eliminate capital gains taxes, while also giving the donor an income tax deduction for the full fair market value of the asset.

Such gifts are complex transactions, and not every DAF sponsor charity has staff members with expertise in reviewing, approving, and liquidating these gifts. Some charities may advise family offices to sell the asset and contribute the proceeds, but the donor would incur capital gains taxes and reduce the amount available to give. For instance, a company founder might sell a business interest with a cost basis as low as zero, resulting in a large tax consequence.

For many family offices, a DAF sponsor offers an efficient alternative. DAF donors have access to the DAF sponsor's professional staff, who handle the liquidation of assets, record keeping, and other administrative tasks. With one complex asset donation to a DAF, the donor can support multiple charities.

While charitable private foundations may offer similar one-stop shopping advantages, family offices may find that they have to hire experts to oversee the sale of the asset, including finding a buyer, liquidating the holdings and handling the review of documents and IRS reporting. It can also be less tax advantageous to donate complex assets to a foundation. For instance, gifts of non-public stock and real property are valued at cost basis when donated to a charitable private foundation, whereas DAF donors can generally deduct the full fair market value of such gifts.

Donations of tangible property like the Picasso painting are an exception, as these gifts are subjected to something called the "related-use rule." Under this rule, if a gift of personal property is related to the tax-exempt purposes of the charity—a sculpture donated to the Metropolitan Museum of Art, for instance—the donor may take a deduction for the fair market value of the property. If the charitable recipient does not plan to use the property for a related purpose but sell it immediately, the donor can deduct only its cost basis, and not its fair market value. In the case of the Picasso, the donor was not motivated by the tax deduction. Her desire was to give the most she could to multiple charitable causes.

Meeting the needs of family offices and high-net-worth individuals
Another challenge facing family offices is defining a charitable mission. For instance, the typical family office gave about $5 million to charity last year, and more than half plan to increase their charitable giving this year, according to UBS's 2018 Global Family Office Report. Even so, only 38% have a clear strategy in place for their philanthropic efforts.

Here, too, DAF sponsors can often help. NPT, for instance, offers customized philanthropic services, including working with families to help them define their goals, research areas of need, identify nonprofit organisations, and measure outcomes. By engaging in such significant work around causes that matter to them, family members can share their values and strengthen ties across generations. Most important, they will ensure their legacy for generations to come.

Eileen Heisman is the CEO of National Philanthropic Trust, the largest national, independent sponsor of donor-advised funds in the US.

She is a member of the Board of Trustees of affiliate organization NPTUK, based in the UK. For more than 30 years, Heisman has helped clients achieve their personal philanthropic visions. She is the author of the annual DAF Report. More resources at NPTUK.org and NPTrust.org.

WHAT DO FAMILIES WANT FROM THEIR PRIVATE WEALTH MANAGERS?

Thomas G.C. Gerginis, Portfolio Manager & Investment Advisor

The Private Wealth Manager ("PWM") is the second most important professional to a family of wealth – the most important professional is the family doctor. The PWM and his/her team have to be highly knowledgeable, thorough, and comprehensive. The PWM has to see the ultra-high-net-worth family in its entirety and understand and respect how all of the component parts work together and operate individually. Families of wealth have made their wealth. They want a wealth professional who can both preserve and enhance their wealth – for the current generation and future generations. The family of wealth seeks the following three traits from the PWM and his/her team: 1) Deep and Sincere Caring; 2) Deep Experience and Expertise; and 3) Leadership of the Family's "Go To" Team.

1) Deep and Sincere Caring
The private wealth client wants his Private Wealth Manager to have a very high level of emotional congruity with his and his family's needs. He is looking for his Private Wealth Manager to understand and care to ensure that the private client and his family's values, mores, and goals are being met through the development and execution of a bespoked private wealth strategy. From this important "Root of Trust," the private wealth client is looking for the Private Wealth Manager to possess the following: a high level of leadership, creativity, and a sense of urgency; a high level of cognitive and intellectual curiosity; and evidence of a well-developed conceptual/linear thinking mindset.

2) Deep Experience and Expertise
Under this requirement, the Private Wealth Manager must possess, in order to be highly effective, a deep level of actual experience in serving as a Private Wealth Manager. He or she should possess experience whereby he/she simultaneously operates both on a strategic (conceptual) paradigm – overseeing the private client's overall wealth – whilst possessing the tactical (linear) paradigm – ensuring that all the component parts and inner workings operate in an integrative and flawless fashion.
This professional must bring experience where he/she has been fully immersed in the private wealth management sector and in his/her client's private wealth affairs in order to be truly effective.

In addition to the practical level of experience, the highly effective Private Wealth Manager must keep abreast and be at the forefront of the subspecialties, such as investment management, succession planning & corporate advisory, family governance, and strategic philanthropy. The Private Wealth Manager must have a deep enough understanding of the subject matter and implications that each of these subspecialties could have on his/her family wealth client in order to be truly effective.

3) Leadership of the Family's "Go To" Team
The Private Wealth Manager must be able to lead and guide and supervise a group of subspecialists to attain the desired goal for the client Family.

To illustrate and provide content to the much-needed ingredient of "Leadership," I would like to reference the inner workings of an organ transplant team. Within this team, there are many highly skilled, highly educated, highly knowledgeable professionals working simultaneously before, during, and after the organ transplant surgery. It is logical to say, however, that this team could be highly ineffective (with fatal consequences) if there was no lead transplant surgeon at the helm. The lead transplant surgeon must oversee and function within key intertwining paradigms, such as: the medical, the legal, the logistical, the religious and the moral/ethical paradigms. This professional also must have the leadership skill to coordinate the myriad of subspecialists.

This professional not only has to see the "big picture" and how all the parts are integrated to each other, this professional must guide, coax, illustrate, reward, discipline, encourage, supervise and coach all the key players on the organ transplant team. The traits are the traits of a leader. The transplant patient's family, sitting in the hospital waiting room, are not waiting to hear from a myriad of specialists and subspecialists to advise them as to how the patient responded to the various subcomponents of the surgery.

Many would agree with me that the patient's family members are looking for only one person to provide them with the prognosis on the success of the surgery – in this case, the lead transplant surgeon.

Now, let us turn back to the private wealth sector and ask the question: What does the client and the family want? Like the waiting family in the hospital waiting room, the private wealth client does not want a myriad of private wealth specialists or subspecialists individually advising them on the micro components of the client's private wealth. The private wealth client and the family are looking to one person (in consultation with other specialists and sub specialists) who can provide them with a thorough and comprehensive strategic prognosis of the overall state of one's private wealth.

Conclusion - What do families of wealth want from their Private Wealth Managers?

Families of wealth want three integrative things:
First, they want their Private Wealth Manager and his/her team to sincerely care for their family and future generations. They demand a high EQ score from their wealth management team.

Second, they want their PWM and his/her team to bring deep experience and expertise. They want highly experienced, accomplished and intelligent professionals to proactively solve their complex wealth needs. They demand a high IQ score.

Lastly, they want their PWM to be a leader of the family's "Go To" team of advisors. Like the leadership skills evidenced by a lead transplant surgeon or a football quarterback, families of wealth want a leader who can simultaneously and effectively operate both on a strategic (conceptual) paradigm – overseeing the private client's overall wealth – whilst possessing the tactical (linear) paradigm – ensuring that all the component parts and inner workings operate in an integrative and flawless fashion.

MOST PRESTIGIOUS INTERNATIONAL BOARDING SCHOOL 2019

Institut auf dem Rosenberg, Switzerland

Thanks to its illustrious history spanning more than 130 years, artisans of education Institut auf dem Rosenberg are welcoming students aged 6 – 19 years old from around the world to experience an international education with an entrepreneurial mindset, which challenges the stereotypical educational paradigm. As part of our showcase of a selection of the winners from this year's Private Education & Development Awards, we profile the school to learn more.

Opened in 1889, the Institut auf dem Rosenberg draws on its rich history of excellence in teaching to offer students a truly exceptional programme of activities beyond the core curriculum, designed to prepare them for a future world, where digitalisation and globalisation will irrevocably alter the world as we know it today. Rosenberg prides itself on providing a truly holistic education beyond the classroom, preparing the students for roles of leadership in the 21st Century.

Rosenberg has been in the Gademann family for four generations, and speaking with that experience, Headmaster Bernhard Gademann takes an unorthodox stance to education commenting: "Schools kill creativity instead of enabling it; they also tend to fear individuality, whereas we focus on educating forming personalities. In a world in which artificial intelligence has an increasingly prominent role, the last human bastion are our ingenious minds and unique ability to collaborate. Yet schools do not adapt quickly enough, with teaching styles and content remaining almost unchanged for the past 120 years. We challenge this stereotype and refuse to run an educational establishment like a factory line. Our unique Talent & Enrichment Programme offers a completely new perspective, preparing the first truly enlightened generation for leadership in an exciting new world."

The 'Talent & Enrichment Programme' offers over 40 courses in a diverse array of fields, including product design, biotechnology, hotel management, digital art, international law and artificial intelligence to name a few, along with a rich sports programme of 30 activities. Rosenberg is also continuously investing in state-of-the-art technology, such as the latest generation of smart boards, as well as their own school app, designed to augment a student's learning experience and a secure platform for dialogue with teachers. The school's Creative Lab is a unique experimental facility, allowing students to explore their creativity and be introduced to the latest advances in technology, collaborating with large corporations, as well as start-up companies.

Rosenberg focuses on the personal strengths and ambitions of each student and carefully tracks their individual development. Small classes, averaging eight students with a teacher to student ratio of 1:3, ensures that each student meets their full academic potential. Rosenberg's wide choice of academic courses is unique not only amongst private boarding schools in Switzerland, but also the world. The academic offering extends across 5 different options, including British GCE Advanced Levels (A Levels), the American High School Diploma, AP Examinations, the IB DP (International Baccalaureate) as well as the GIB (German International Baccalaureate), so a curriculum can be chosen that suits the individual.

The school has strong ties and partnerships with thoughts leaders, prominent companies and organisations across different sectors to ensure the content being taught is up to date and relevant; they also offer inspiring trips abroad. They describe their culture as a '130-year-old start-up,' and they boast an Innovation Department, ensuring that research and development are at the heart of everything they do, positioning them as world leaders in forward-thinking education.

Bernhard Gademann summarises the current status quo in education and Rosenberg's forward-thinking alternative approach: "The disconnect between skills taught in traditional schools and the requirements to succeed in the professional world has never been this extensive. With change taking an exponential trajectory, this gap will only grow bigger. Rosenberg bridges this gap by merging the academic world with the learning requirements of the 21st Century."

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WEALTHY FAMILIES PRE-FAMILY OFFICE PLANNING

By Dr Andrew S Kane OBE

This article considers the kind of preparation work required prior to setting up a family office. It is likely that many wishing to start a family office may not be familiar with the structure or protocols, nor will they understand how important this preparatory stage is to the success of the office, now and for future generations, to ensure its longevity.

My decades of experience working with wealthy families has taught me that families worth say $250m and up, are most likely to consider a single-family office platform. Wealthy families from say $100m to $250m often consider a single-family office, but the costly economics may lead to a multi-family office platform. For those families with wealth from say $20m to $100m, they are still wealthy in most people's eyes, yet often no family office format really exists.

Instead an array of advisors, some deeply trusted and well-coordinated exist to service the family's investment and management needs. For these families where wealth creation is often rapidly increasing and asset diversification and complexity correspondingly expanding, within the confines of the heart of the family (namely the patriarch and matriarch), emotions begin to rise over retaining control, where it is located, how it should be utilized and how to create wealth transfes. These emotions are well hidden from all but a trusted few.

For these wealthy families in the say $20m-100m range, I am often asked to help them address their emotional control concerns. I create a pre family office dialogue, process and deliverables, primarily to address their anxieties. Pre family office planning is essentially using skills and knowledge about family offices and wealthy families, to undertake a process to aggregate all information, data, records and financial aspects of the family in order to create a family wealthbook.. Expedient as it is for the family to review this wealth book (updated on a quarterly basis), itis at the direction of the family. The process crystallizes what is owned, borrowed, overutilized and underutilized. Each wealth book is accompanied by my personal quarterly report, presented in person and focused on addressing the family's needs. With it, I write a report to compliment the meeting. All of this is undertaken under the strictest of confidentiality arrangements.

As the wealth book matures over a year or two, it becomes a highly confidential resource for the patriarch and matriarch and sometimes their adult children. It is accompanied by all core underlying data and cross-referenced back to the supporting documents. As the confidence rises in having in their hands a physical detailed wealth book (replete with multiple excel pages of supporting information all printed in pdf format), so the emotional stress over control dissipates.

As the family wealth continues to expand, my pre family office planning, likely leads in many cases to having the information available to ease into a multi-family or single office platform when the situation is right.

Having managed large single family offices and spent years with wealthy families, pre family office planning is an effective approach to keep one's emotions over control issues in check, permitting the key family members to feel they have sufficient governance and understanding over their wealth to make smart decisions over a wide range of matters, from gift planning, insurance needs or philanthropic pursuits to name a few. Most importantly I have found that the pre family office wealth book helps enable clarity to plan for the family's needs when a capital event occurs, family members succeed the patriarch/matriarch or its just plain time to move to a multi or single-family office platform.

So perhaps others around the globe may consider a similar approach to assist wealthy families in the $20-$100m range prepare for a establishing a family office in an easy but sophisticated way with the help of a skilled and trusted advisor.

WHAT TO DO WITH THE PLANE
WHEN SELLING THE BUSINESS

By Michelle Wade.

Selling the family business or transitioning it to the next generation involves planning. The family office must consider the future use and ownership of any aircraft owned by the business and operated for family and personal use, as well as business use.

Options for Future Ownership and Use of the Aircraft
There are many options for future ownership and use of the aircraft. These include 1) sell the aircraft with the business as an asset of the business; 2) sell the aircraft to a third party prior to selling the business; 3) transfer or sell the aircraft to a family member for personal use; 4) transfer or sell the aircraft to a family member to utilize for personal use and lease the aircraft to the new owner of the business; and 5) transfer or sell the aircraft to a family member to utilize for personal use and lease the aircraft to an AOC Holder (charter company) for charter to third parties.

Preparing to Transfer the Aircraft to the Family when the Business is Sold
Changing ownership of the aircraft or operation of the aircraft without thoughtful planning can become expensive. Accordingly, obtain a budget for the initial five years of ownership and operations based on the anticipated usage. Input from several professional advisors (aviation counsel, tax advisor and financial advisor) will create the best plan for the ownership and operation of an aircraft.

Plan for taxes, risk mitigation, and compliance with aviation laws. Aircraft ownership and operations must comply with civil aviation authority requirements and consequently, professional advice is important. Failure to comply with aviation laws may void the insurance and cause the business or family to incur significant civil penalties and additional taxes.

Answer these questions to determine how to handle the aircraft: 1) will the business be more attractive to a buyer if the business owns the plane; 2) how will the family travel if the aircraft is sold with the business or sold to a third party; 3) does this aircraft suit the future flight needs of the family; 4) can the family pay all expenses to own and operate this aircraft; and 5) will the family want to charter or buy a jetcard for personal flights?

Answer these Questions Before the Business Transfers the Aircraft to the Family
If the decision is made to transfer the aircraft from the business to the family, answer these questions to determine the best method of transfer and where the family should own the aircraft: 1) is there a tax impact if the family purchases the aircraft or accepts a distribution from the business; 2) how will financing on the aircraft by the business be satisfied; 3) will the family finance its purchase of the aircraft; 4) will others use the aircraft; and 5) will the aircraft be leased to friends and family or will the aircraft be chartered to friends, family, and third parties by an AOC Holder?

Considerations when the Family Leases the Aircraft to Others
If the family expects to lease the aircraft to the new owner of the business, it is important that the aircraft owner and new owner of the business agree on significant economic and usage issues. Accordingly, either a written lease or charter by the business from an AOC Holder is necessary. Notwithstanding desired economic terms, all arrangements must satisfy civil aviation authority requirements.

If the business is sold to the next generation, document the economic terms, usage rights, and scheduling priority of the various users. Family dynamics and differing expectations arising from new roles can create disputes and hurt feelings over use of the aircraft.

When the family owns the aircraft and leases the aircraft to others, ensure there is a written agreement addressing important issues such as 1) what are the scheduling rules for the aircraft; 2) is there any limit on the number of hours flown by a lessee; 3) how much will the lessee pay; 4) how will repositioning flights be charged; and 5) can the family easily terminate the lease if the aircraft is sold. If the family finances the aircraft acquisition, it is important to confirm that the lender allows leasing to third parties.

When the family owns the aircraft and leases the aircraft to an AOC Holder for charter to third parties, the agreement with the AOC Holder should document important issues such as 1) what are the scheduling rules for the aircraft; 2) what is the charge by the AOC Holder to add the aircraft to its charter certificate; 3) who is responsible for any charter broker fees; and 4) can the family easily terminate the lease if the aircraft is sold?

The AOC Holder should also provide a detailed budget based on anticipated usage. It is important to determine if market rates or better can be obtained on insurance, maintenance, and fuel obtained through the AOC Holder.

If charter revenue is expected to cover some of the aircraft expenses, carefully review the economic and usage projections at the outset to avoid an unpleasant surprise.

Planning is Critical to a Successful Future Aircraft Operation
When selling the business to a third party or the next generation, include aircraft planning as part of the overall strategy. The consultant advising on the sale of the business may not be knowledgeable about civil aviation authority requirements to legally operate an aircraft, so include aviation advisors (aviation counsel and tax advisor) with experience in structuring the ownership and operation of aircraft to create the best plan for future aircraft ownership and operation.

Michelle M. Wade is a partner with the law firm of Jetstream Aviation Law and counsels clients on the acquisition, financing, and operation of corporate jets operated under Part 91 and Part 135 of the Federal Aviation Regulations.

www.JetstreamLaw.com

THE ULTIMATE DREAM HOME FOR GOLF ENTHUSIASTS

Every golf enthusiast aspires to live close to a golf course, but there cannot be anything that compares to living on the 18th hole of the Old Course, St. Andrews, one of the finest heathland championship courses, where the game was invented.

Residents at Hamilton Grand, the "second most photographed building in golf" consisting of luxurious two, three- and four-bedroom apartments, can enjoy unparalleled views of St Andrew's Old Course, the oldest and most iconic golf course in the world, as well as magnificent panoramic views over the surrounding countryside all the way to the sea. With 10 golf courses in the immediate area and more than 30 within a half-hour's drive, St. Andrews is a true golf Mecca.

Designed to seamlessly merge the essences of tranquil indoor and outdoor living, residences boast unique architectural features such as high ceilings, arched windows, columns and private balconies. Exquisite furnishings and finishes combine with an unrivalled attention to detail, such as the golfing memorabilia. Apartments come furnished with bathroom fixtures, kitchen cabinets and appliances. Kohler Design Services offer bespoke interior design solutions including furnishing, flooring, lighting, painting or wall coverings, and cater to every taste from traditional Scottish to contemporary.

Hamilton Grand features include a private lounge for residents and a sensational roof terrace, which is the perfect place to watch the Alfred Dunhill Links Championship from this September, or The Open in 2021. The Open will be the 150th championship and the 30th time that St Andrews has hosted the world's biggest and most popular golf event.

Golf membership of The Duke's Course, a championship parkland course is available to residents for an additional fee. For a minimal annual fee, Hamilton Grand owners who are permanent residents for more than six months per annum are eligible to apply for a links ticket providing access to the Old Course and the six other courses of the St Andrews Links Trust.

The residences are managed by the Old Course Hotel, and residents also benefit from complimentary membership at the resort's Kohler Waters Spa and Fitness Centre including a 20-metre swimming pool and rooftop hot tub, and priority dining at the hotel as well as butler service, valet parking, private chefs and full housekeeping services.

Hamilton Grand residents enjoy access to not only the finest golf, but also the top-class dining in Scotland. St Andrews newest '19th hole' is directly adjacent to the residences is Hams Hame Pub Grill, offering Scottish cuisine, and the neighbouring Old Course Hotel, Golf Resort & Spa features the Road Hole Restaurant, rated 3 AA Rosettes, and the elegantly casual Sands Grill.

Steeped in history and charm, Thomas Hamilton built the Grand Hotel more than a century ago as an illustrious retreat and Kohler Co. – one of United States' largest privately held companies with an award-winning reputation for restoring property - breathed new life into Hamilton Grand, returning the landmark to its original splendour.

Kohler is no stranger to creating much sought-after golf destinations, not just in Scotland but in the United States of America too. Destination Kohler, Wisconsin's golf leader, has ushered in a new era for the midwestern state with four internationally acclaimed Pete Dye-designed courses across Whistling Straits and Blackwolf Run, and three courses winning a spot-on Golf Digest's Top 100 Public Courses list.

Kohler Golf has collectively hosted six Major Championships with the Straits at Whistling Straits gearing up to host golf's preeminent international competition, the 2020 Ryder Cup. The Straits, sculpted along two miles of dramatically rugged Lake Michigan shoreline, will proudly become the first public course in 29 years to host the prestigious tournament. This incredible honour is testimony to Kohler Co's ability to transform golfing courses into international destinations in their own right.

Apartments at Hamilton Grand are available on a freehold basis, and range in size from 1,053 to 2,779 square feet, starting at £1,050,000 with a rental management programme offered.

www.hamiltongrand.co.uk

THE FUTURE OF INVESTMENT DISPUTE SETTLEMENT

by Bob Juchter van Bergen Quast,

Entrepreneurs engaging in international investments face several issues when they are accused of a breach of contract. When the investment agreement does not provide solid provisions for dispute settlement, endless legal discussions and expensive court cases in unfamiliar jurisdictions can be the result. This article provides simple solutions for both investor and beneficiary to avoid such issues.

The solution to avoiding1 endless legal battles is to insert an arbitration clause in the investment agreement (out of court legislation). Arbitration has numerous advantages.

1) Unlike in court, parties can select an arbitrator with an appropriate degree of practical experience. For example, a Court of Arbitration has a list of arbitrators who are experts in the field of digital commerce.

2) Arbitration is faster than litigation in court, and a time limit can be placed on the length of the process.

3) Arbitration is cheaper and more flexible, more commercial and less formal than court.

4) Unlike court rulings, arbitration proceedings and arbitral awards are confidential.

5) Unlike in court, there are very limited avenues for appeal of an arbitral award, which limits the duration of the dispute and any associated liability.

6) Due to the provisions of the New York Convention 1958, arbitral awards are far easier to enforce in other nations than court judgments.

From an international perspective, there are several courts of arbitration that offer an effective way to solve investment disputes. Below are examples (in alphabetical order).

Astana International Financial Court (AIFC Court)

The AIFC Court, in Kazakhstan, provides a common law court system that operates to the highest international standards to resolve civil and commercial disputes in the Astana International Financial Centre. It adjudicates exclusively all claims arising out of the AIFC and its operations and other claims in which all parties to the dispute agree in writing to the jurisdiction of the AIFC Court.

The AIFC Court has its own court of final appeal, its own procedural rules, and a special fast track for small claims. Its Chief Justice and judges are among the most experienced and distinguished judges from the common law world, with global reputations for independence, impartiality, integrity, unconditional application of the rule of law, and incorruptibility. The judges, procedures, practices and standards at the AIFC Court will be familiar to businesses currently operating in major financial centres around the world. Website: http://aifc-court.kz

Dubai International Financial Courts (DIFC Courts)

The laws establishing the DIFC Courts were designed to ensure the highest international standards of legal procedure, thus ensuring that the DIFC Courts provide the certainty, flexibility and efficiency expected by the global institutions operating in, with and from Dubai and the UAE. The laws enacted provide for a court system capable of resolving all civil and commercial disputes, ranging from sophisticated, international financial transactions to debt collection and employment disputes.

The DIFC Courts deal exclusively with all cases and claims arising out of the DIFC and its operations and any other claims where all parties agree in writing to use the DIFC Courts. The DIFC Courts carry out their functions in an independent manner, in accordance with the provisions of the DIFC laws and regulations. Website: https://www.difccourts.ae

Court of Arbitration of the European Chamber of Digital Commerce (ECDC Court)

As an activity of its parent organization, the Swiss Chamber of Commerce in The Netherlands, founded in 1933, the Court of Arbitration of the European Chamber of Digital Commerce plays a crucial role in today's digital world. Issues specific to digital technology include fintech, blockchain, cybersecurity, digital currencies, and intellectual property. Fairness has always been a business tradition observed in Europe, making the region so prominent as an arbitration location. The Court of Arbitration is conveniently located at Schiphol International Airport, in The Netherlands.

The Court of Arbitration applies the UNCITRAL Arbitration Rules of the United Nations Commission on International Trade Law, which meet international legal standards. The rules are concise and easy to understand, comply with current national and international legal developments, and are published in several languages.

Unless parties do not agree otherwise, the Court will apply the neutral UNIDROIT Principles of International Commercial Contracts to judge the dispute. Website: https://europeanchamberofdigitalcommerce.com

London Court of International Arbitration (LCIA)

The LCIA is one of the world's leading international institutions for commercial dispute resolution. The LCIA provides efficient, flexible and impartial administration of arbitration and other ADR proceedings, regardless of location, and under any system of law. The international nature of the LCIA's services is reflected in the fact that typically over 80% of parties in pending LCIA cases are not of English nationality.

The LCIA has access to the most eminent and experienced arbitrators, mediators and experts from many jurisdictions with the widest range of expertise. The LCIA's dispute resolution services are available to all contracting parties without any membership requirements. Website: https://www.lcia.org

Arbitration Institute of the Stockholm Chamber of Commerce (SCC)

The Arbitration Institute of the Stockholm Chamber of Commerce (SCC) has developed into one of the world's leading forums for dispute resolution. The SCC was established in 1917 and is part of, but independent from, the Stockholm Chamber of Commerce. The SCC consists of a Board and a Secretariat and provides efficient dispute resolution services for both Swedish and international parties. The SCC was recognized in the 1970s by the United States and Soviet Union as a neutral centre for the resolution of East-West trade disputes. Also, China recognized the SCC as a forum for resolving international disputes around the same time. The SCC has since expanded its services in international commercial arbitration and emerged as one of the most important and frequently used arbitration institutions worldwide.
Website: https://sccinstitute.com

Conclusions

When you want to avoid legal dramas unfolding from an investment agreement, check the websites above and copy the relevant clause into the agreement before signing. Another option is to persuade the counterparty to allow an already arisen case to be settled by one of these arbitration institutions.

About the author: Bob Juchter van Bergen Quast, LLM, FSS, is the President of the Court of Arbitration of the European Chamber of Digital Commerce.

Juchter van Bergen Quast has the right of audience before the AIFC. He is Chief Executive Officer of the Swiss Chamber of Commerce in The Netherlands and the European Chamber of Digital Commerce.

www.Verifin.eu

CYBERSECURITY FOR PRIVATE CLIENTS, FAMILIES, AND VIPS

by Brad Deflin

Cyber-related losses over the next few years will exceed several trillion dollars annually. Some of the most researched and respected estimates are much higher. What's certain is the losses related to cybercrime during the early 2020s will mark a historical inflection point; humankind's painful adaptation to the new nature of existential risk.

The digital revolution is energizing aggressors, predators, and bad actors from around the world with advanced, military-grade hacking tools. They have unlimited access to personal information and powerful software to assemble and engineer sophisticated attacks. Physical harm and personal safety continue to converge with digital crime, and perpetrators include professional criminals, criminal syndicates and "affiliates," and malevolent people and groups from around the world.

Anyone that has anything to lose is a viable target, and most damages will come to those least prepared. But most still wildly underestimate the massive amount of financial losses to be incurred individually and personally. The predator predictably targets the weakest, and this age-old truth applies exponentially in the digital age. Today, the gap between the skills of the attacker and the defenses of the victim has never been so wide. Nor has risk/reward been so out of balance favoring the aggressor. The disconnect in each sides' circumstances is widening, and the damages for the next few years will represent the valley of humankind's evolution to the new Digital Age.

Most private clients, wealthy families, and VIPs are woefully unprepared for the massive cyber-related risks they face today. When it comes to criminal intent in the new digital era, these groups are optimal targets, and hackers are increasingly taking aim. Their exploits seek individuals and families they can extort, blackmail, con, scam, and otherwise defraud for cash with minimal risk and plenty of upside. The risk for the wealthy and notable is growing exponentially, and for the next few years, with trillions of dollars at stake and digital defences so low, there is much at stake.

Thankfully, since about 2012, the cybersecurity industry has attracted record levels of fresh capital investment. The skyrocketing increase in cyber-attacks and the surging demand for effective solutions has driven a fountainhead of innovation in the field. The new generation of cybersecurity technology focuses on defensive, preemptive solutions, and incorporates paradigm-shifting technology not available even just a handful of years ago.

Today, advanced cybersecurity technology includes autonomous control centers that monitor and manage all aspects of security tasks. Defences work in real-time, all the time, across all devices and platforms. And now, artificial intelligence and machine learning are taking cybersecurity to new levels of preemptive protection and efficacy. My company, Total Digital Security, uniquely brings these advancements in defensive technology to protect private clients, wealthy families, family offices, and VIPs with comprehensive solutions and personal support.

To apply advancements in enterprise-grade cybersecurity technology to the personal lives of our private clients and families, we adhere to "The Four Fundamentals of Cybersecurity."

"The Four Fundamentals" of cybersecurity provides a mental picture of personal privacy and security in a digital world. My company makes the advancements in cybersecurity technology and intelligence accessible to individuals and families for protection of their personal email, internet-connected devices, and home and office networks. The result is a level of ambient security and privacy where the bad from the internet doesn't get in, and everything going out is anonymized for complete confidentiality and security.

Privatize Your Email

Privatizing email is the single most effective measures for reducing cyber risk. With a private email domain using the advanced protection available today, nothing gets to an in-box unless it is filtered, screened, credentialed, and if necessary; sandboxed. Inscrutable algorithms will not determine what you see, and there are never ads. With a private email domain, your information is your personal digital asset, not Big Tech's. Many private clients are creating family email domains and consider it as a multi-generational digital abode, off the grid of the risk and abuse of "free" email.

Protect Your Devices

Device protection technology in cybersecurity has advanced significantly due to the organizational shift to BYOD and end-user compliance. We use the advanced science for protecting personal technology like Macs, PCs, Apple iOS, and Android smart devices. Viruses like ransomware and spyware are blocked, and apps will never spy. All hardware-centric risks are managed, and the device is optimally protected 24/7, software updates and all.

Secure Your Networks

It is said personal information is the "new oil" for the digital age. If so, our home and office routers are like a gushing rig, and anyone online is a wildcatter. Yet, everything connected to a network is like an on-ramp for a cybercriminal. On-ramps to personal networks are proliferating in the form of doorbells, IP security cameras, Alexa's, and most all physical items in our daily environments. Including, as one victim found, their "smart" aquarium sensor that conveniently sends water PH and temperature and such to his iPhone but led to a $200,000 loss paid from his hacked computer. Network security technology has advanced measurably, even over just the last two years. We use software-defined networks that are managed to create a bubble of protection for homes and offices, including all the internet-connected devices of smart-homes and appliances.

Use a VPN Every Day

All mobile devices, phones, tablets, and laptops should use a commercial-grade VPN. With a VPN, all outgoing communications are encrypted, and location is masked. Learning to use and live with a VPN is a mandatory life-skill in the digital age and using the protection they provide is a must. Yes, VPNs can be pesky and cranky, but digital innovation is taking care of that too. Not all VPNs are equal, and using the right VPN is essential.

Cybersecurity for Life

Digital risk has become an existential risk. The potential for cyber-related harm, loss, and damages of all sorts loom continually and without reprieve. To many, the notion is daunting and overwhelming. Incorporating the Four Fundamentals into daily life not only changes the risk profile of the individual but advances digital critical-thinking skills faster and more effectively than "education" and "awareness" for individuals and small groups. With Cybersecurity for Life, change happens naturally and is long-lasting. After all, real change is about people and culture, not technology and systems.

Brad Deflin is a cybersecurity expert and the CEO and Founder of Total Digital Security. His experience includes over 25 years of executive leadership in wealth management and private banking with Merrill Lynch, Lehman Brothers, Wells Fargo, and J.P. Morgan. Brad's experience in the financial industry with high-net-worth clients and online technology led him to recognize the coming wave of cybercrime, and the dire need for greater awareness and protection.